Quarterly information - ITR

Petro Rio S.A.

June 30, 2019
Independent Auditors' Report on the Review of the Quarterly Information

PetroRio

Summary

Independent auditor's review report on quarterly information

The Shareholders, Board of Directors and Officers
Petro Rio S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Petro Rio S.A. for the quarter ended June 30, 2019, comprising the statement of financial position as of June 30, 2019 and the related statements of profit or loss and of comprehensive income for the three and six months period then ended, of changes in equity and of cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 - Interim Financial Reporting, and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Restatement of the individual and consolidated interim financial information and amounts corresponding to previous periods

We draw attention to Note 2.10 to the individual and consolidated interim financial information for the three- and six-month periods ended June 30, 2019, as well as the amounts corresponding to the respective statements of profit or loss and of comprehensive income for the three- and six-month periods ended June 30, 2018, and of changes in equity, of cash flows and of added value for the six-month period ended June 30, 2018, presented for comparison purposes, which have been amended and are restated to reflect the matters described in such Note. The individual and consolidated interim financial information for the three- and six-month periods ended June 30, 2019, as well as the corresponding amounts mentioned above, were previously reviewed, originally before the adjustments arising from the matters described in Note 2.10, by other independent auditors who issued an unmodified review report dated August 13, 2019. We were engaged to review the Company's restated interim financial information for the three- and six-month periods ended June 30, 2019 and their corresponding amounts. Our conclusion is not modified in respect of this matter.

Statements of value added

The abovementioned quarterly information includes the individual and consolidated statement of value added (SVA) for the six months period ended June 30, 2019, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Rio de Janeiro, August 27, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Pia Leocádia de Avellar Peralta
Accountant CRC-1RJ101080/O-0

PetroRio

Balance sheet

June 30, 2019 and December 31, 2018
(In thousands of reais - R$)

	Note	Parent company 06/30/2019 restated	Parent company 12/31/2018	Consolidated 06/30/2019 restated	Consolidated 12/31/2018
Assets					
Current assets					
Cash and cash equivalents	3	**14**	232	**392,879**	186,993
Securities	4	**6,358**	41,108	**132,872**	607,441
Restricted cash	5	**-**	-	**60,085**	11,628
Accounts receivable	6	**-**	-	**36,023**	34,932
Oil inventories	25	**-**	-	**92,019**	56,214
Inventory of consumables		**-**	-	**1,622**	2,084
Derivative financial instruments		**-**	-	**1,114**	-
Recoverable taxes	7	**12,110**	12,107	**90,764**	67,011
Advances to suppliers	8	**36**	93	**43,104**	37,949
Advances to partners	20	**-**	-	**136,684**	2,922
Prepaid expenses		**1,246**	47	**12,097**	1,659
Other receivables		**1**	-	**1,658**	202
		19,765	53,587	**1,000,921**	1,009,035
Non-current assets available for sale	9	**-**	-	**26,289**	26,581
		19,765	53,587	**1,027,210**	1,035,616
Non-current assets					
Advances to suppliers	8	**-**	-	**12,596**	12,596
Scrow and secured deposits		**4,680**	5,187	**25,084**	19,621
Recoverable taxes	7	**-**	-	**30,524**	25,711
Deferred taxes		**-**	-	**12,932**	11,340
Related parties	23	**5,621**	3,162	**-**	-
Right-of-use (Lease CPC 06.R2 IFRS 16)	17	**-**	-	**919,666**	-
Investments	10	**1,246,667**	1,006,143	**-**	-
Property, plant and equipment	11	**1,855**	1,533	**1,602,344**	270,347
Intangible assets	12	**-**	-	**756,788**	140,949
		1,258,823	1,016,025	**3,359,934**	480,564
Total assets		**1,278,588**	1,069,612	**4,387,144**	1,516,180

See the accompanying notes to the financial statements.

PetroRio

Balance sheet
June 30, 2019 and December 31, 2018
(In thousands of reais - R$)

	Note	Parent company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
		restated		restated	
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	13	**1,176**	218	**126,570**	73,258
Labor obligations		**291**	41	**32,618**	14,923
Taxes and social contributions	14	**13,817**	13,857	**85,097**	37,010
Loans and financing	15	**-**	-	**566,985**	222,437
Debentures	16	**40,377**	306	**40,377**	306
Advances from partners	20	**-**	-	**3,116**	6,792
Contractual Charges (Lease IFRS 16)	17	**-**	-	**25,214**	-
Other liabilities		**-**	-	**-**	16,260
		55,661	14,422	**879,977**	370,986
Non-current liabilities					
Suppliers	13	**-**	-	**13,413**	13,413
Loans and financing	15	**-**	-	**724,663**	25,718
Debentures	16	**-**	69,366	**-**	69,366
Provision for abandonment (ARO)	19	**-**	-	**535,258**	36,438
Provision for contingencies	31	**-**	-	**28,675**	17,441
Deferred taxes and social contributions	18	**3,148**	3,152	**-**	-
Related parties	23	**21,116**	437	**-**	-
Investment deficit	10	**59**	61	**-**	-
Contractual Charges (Lease IFRS 16)	17	**-**	-	**1,003,248**	-
Other liabilities		**-**	-	**2,145**	644
		24,323	73,016	**2,307,402**	163,020
Minority interest		**-**	-	**1,161**	-
Shareholders' equity					
Capital	22	**3,307,246**	3,273,114	**3,307,246**	3,273,114
Capital reserves		**193,448**	67,094	**193,448**	67,094
Cumulative Translation Adjustment		**100,702**	94,057	**100,702**	94,057
Equity valuation adjustments		**(71,873)**	(79,314)	**(71,873)**	(79,314)
Accumulated losses		**(2,372,777)**	(2,579,073)	**(2,372,777)**	(2,579,073)
Income (loss) for the period		**41,858**	206,296	**41,858**	206,296
		1,198,604	982,174	**1,198,604**	982,174
Total liabilities and shareholders' equity		**1,278,588**	1,069,612	**4,387,144**	1,516,180

See the accompanying notes to the financial statements.

PetroRio

Statements of income (restated)

Six-month period ended June 30, 2019 and 2018

(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net revenue	24	**-**	**-**	**687,306**	356,560
Costs of products/services	25	**-**	-	**(364,980)**	(238,125)
Gross revenue		**-**	**-**	**322,326**	118,435
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**570**	(351)
Personnel expenses		**(4,111)**	(8,171)	**(21,436)**	(22,218)
General and administrative expenses		**(838)**	(1,177)	**(14,125)**	(9,607)
Expenses with Outsourced Services		**(1,752)**	(3,914)	**(13,662)**	(19,815)
Taxes and rates		**(975)**	(996)	**(3,850)**	(2,300)
Depreciation and amortization expenses		**(182)**	(53)	**(3,460)**	(1,156)
Equity in income of subsidiaries	10	**129,125**	87,014	**-**	-
Other operating revenues (expenses), net	26	**(8)**	(3)	**(32,265)**	(587)
Operating income (loss) before financial income (loss)		**121,259**	72,700	**234,098**	62,401
Financial revenues	27	**3,522**	10,611	**129,877**	137,208
Financial expenses	27	**(81,190)**	(37,599)	**(281,670)**	(151,699)
Income before income tax and social contribution		**43,591**	45,712	**82,305**	47,910
Current income tax and social contribution		**(1,733)**	(3,924)	**(42,105)**	(10,849)
Deferred income tax and social contribution		**-**	6,112	**1,658**	10,839
Income for the period		**41,858**	47,900	**41,858**	47,900
Basic and diluted profit per share					
Basic		***0.318***	*0.394*	***0.318***	*0.394*
Diluted		***0.318***	*0.394*	***0.318***	*0.394*

See the accompanying notes to the financial statements.

Statements of income (restated)

Three-month period ended June 30, 2019 and 2018 (restated)
(In thousands of reais, except earnings/losses per share)

		Parent company		Consolidated	
	Note	04/01/2019-06/30/2019	04/01/2018-06/30/2018	04/01/2019-06/30/2019	04/01/2018-06/30/2018
Net revenue	24	-	-	**548,233**	239,405
Costs of products/services	25	-	-	**(269,365)**	(145,636)
Gross revenue		-	-	**278,868**	93,769
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**(67)**	(148)
Personnel expenses		**(1,180)**	(759)	**(10,863)**	(9,176)
General and administrative expenses		**(161)**	(506)	**(11,175)**	(5,823)
Expenses with Outsourced Services		**(917)**	(1,858)	**(6,871)**	(9,095)
Taxes and rates		**(627)**	(377)	**(3,151)**	(1,496)
Depreciation and amortization expenses		**(96)**	(30)	**(2,066)**	(598)
Equity in income of subsidiaries	10	**171,384**	74,010	-	-
Other operating revenues (expenses), net	26	**(3)**	(8)	**(32,573)**	(4,120)
Operating income (loss) before financial income (loss)		**168,400**	70,472	**212,102**	63,313
Financial revenues	27	**815**	6,766	**68,899**	87,825
Financial expenses	27	**(3,486)**	(1,975)	**(80,553)**	(74,457)
Income before income tax and social contribution		**165,729**	75,263	**200,448**	76,681
Current income tax and social contribution		**(967)**	963	**(36,707)**	(1,874)
Deferred income tax and social contribution		-	129	**1,021**	1,548
Income for the period		**164,762**	76,355	**164,762**	76,355
Basic and diluted profit per share					
Basic		***1.253***	*0.628*	***1.253***	*0.628*
Diluted		***1.253***	*0.628*	***1.253***	*0.628*

See the accompanying notes to the financial statements.

PetroRio

Statements of comprehensive income (restated)

Six-month period ended June 30, 2019 and 2018
(In thousands of reais - R$)

	Consolidated	
	06/30/2019	**06/30/2018**
Retained earnings (loss)	**41,858**	47,900
Other comprehensive income		
Translation adjustment on investment abroad	**6,645**	**31,083**
Equity valuation adjustments	**7,441**	(29,536)
Other comprehensive income for the period	**14,086**	1,547
Total comprehensive income for the period	**55,944**	49,447

See the accompanying notes to the financial statements.

Statements of comprehensive income (restated)

Three-month period ended June 30, 2019 and 2018
(In thousands of reais - R$)

	Consolidated	
	04/01/2019–06/30/2019	**04/01/2018–06/30/2018**
Retained earnings (loss)	**164,762**	76,355
Other comprehensive income		
Translation adjustment on investment abroad	**(10,925)**	**31,234**
Equity valuation adjustments	**(14,138)**	(17,979)
Other comprehensive income for the period	**(25,063)**	13,255
Total comprehensive income for the period	**139,699**	89,610

See the accompanying notes to the financial statements.

PetroRio

Statements of changes in shareholders' equity (restated)

Six-month period ended June 30, 2019 and 2018
(In thousands of reais - R$)

	Capital	Capital reserve	Equity valuation adjustment	Cumulative Translation Adjustment	Accumulated loss	Total
Balances at January 1, 2018	**3,265,256**	**82,500**	**26,698**	**65,102**	**(2,579,073)**	**860,483**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	8,647	-	-	-	8,647
Translation adjustment on investment abroad	-	-	-	31,083	-	31,083
Gain (loss) with financial instruments	-	-	(29,536)	-	-	(29,536)
Income for the period	-	-	-	-	47,900	47,900
Treasury shares	-	(33,170)	-	-	-	(33,170)
Balances at June 30, 2018	**3,273,114**	**57,977**	**(2,838)**	**96,185**	**(2,531,173)**	**893,265**
Balances at January 1, 2019	**3,273,114**	**67,094**	**(79,314)**	**94,057**	**(2,372,777)**	**982,174**
Paid-up capital	34,132	-	-	-	-	34,132
Stock options granted	-	82,874	-	-	-	82,874
Translation adjustment on investment abroad	-	-	-	6,645	-	6,645
Gain (loss) with financial instruments	-	-	7,441	-	-	7,441
Income for the period	-	-	-	-	41,858	41,858
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at June 30, 2019	**3,307,246**	**193,448**	**(71,873)**	**100,702**	**(2,330,919)**	**1,198,604**

See the accompanying notes to the financial statements.

PetroRio

Statements of cash flows (restated)

Six-month period ended June 30, 2019 and 2018
(In thousands of reais - R$)

	Parent company		Consolidated	
	06/30/2019	06/30/2019	06/30/2019	06/30/2019
Cash flows from operating activities				
Income (loss) for the period (before taxes)	**43,591**	**45,712**	**82,305**	**47,910**
Depreciation and amortization	182	53	121,783	40,983
Financial revenue	(2,876)	(10,468)	(124,077)	(132,388)
Financial expenses	81,172	37,561	258,796	140,793
Share-based compensation	4,907	8,385	7,655	8,385
Equity in income of subsidiaries	(129,125)	(87,014)	-	-
Equity valuation adjustment	-	119	-	-
Reduction of provision for abandonment (ARO)	-	-	(5,522)	(2,773)
Provision for contingencies/losses	-	-	2,194	2,947
Provision for impairment	-	-	(10)	-
	(2,149)	**(5,652)**	**343,124**	**105,857**
(Increase) decrease in assets				
Accounts receivable	-	-	(581)	(20,734)
Recoverable taxes	(3)	(2,228)	23,777	(5,476)
Prepaid expenses	(1,199)	(14)	(10,396)	509
Advances to suppliers	46	522	(5,395)	3,405
Oil inventories	-	-	21,422	(3,761)
Inventory of consumables	-	-	461	-
Related parties	(2,455)	61	-	-
Advance to partners in oil and gas operations	-	-	(16,447)	549
Scrow and secured deposits	507	162	(3,672)	(884)
Other receivables	(1)	(21)	676	239
Increase (decrease) in liabilities				
Suppliers	918	184	30,081	14,754
Labor obligations	250	49	6,336	(1,983)
Taxes and social contributions	(2,338)	(1,564)	2,654	(1,053)
Related parties	23,593	(13,141)	-	-
Contingencies	-	-	(3,244)	(1,334)
Advances from partners in oil and gas operations	-	(1)	-	(580)
Other liabilities	-	-	(14,758)	(12,214)
Net cash (invested in) from operating activities	**17,169**	**(21,643)**	**374,038**	**77,294**
Cash flows from investment activities				
(Investment) Redemption of securities	29,721	47,679	447,909	(109,944)
(Investment) Restricted cash redemption	-	-	(48.424)	17,979
(Investment) Redemption in abandonment fund	-	-	(1,472)	(3,289)
(Increase) decrease in property, plant and equipment	(503)	-	(49,504)	(4,370)
(Increase) decrease in intangible assets	-	-	16.392	(86,490)
(Increase) decrease in investments	(101,301)	(1,113)	-	-
(Acquisition) of oil and gas assets	-	-	(1,546,228)	-
Non-current assets held for sale	-	-	292	3,470
Net cash (invested in) from investment activities	**(72,083)**	**46,566**	**(1,181,035)**	**(182,644)**
Cash flows from financing activities				
Loans and financing	-	-	1,026,825	123,170
Contractual charges (Lease IFRS 16) - Principal	-	-	(65,538)	-
Contractual charges (Lease IFRS 16) - Interest			(29.414)	-
Debentures	(839)	(930)	(839)	(22,256)
Derivative transactions	-	-	-	(859)
(Purchase) sale of shares of the Company (in treasury)	43,480	(33,087)	43,480	(33,087)
(Decrease) Paid-up capital	12,055	7,709	12,055	7,709
Net cash (invested in) from financing activities	**54,696**	**(26,308)**	**986,569**	**74,677**
Translation adjustment	-	-	26,314	7,559
Net increase (decrease) in cash and cash equivalents	**(218)**	**(1,385)**	**205,886**	**(23,114)**
Cash and cash equivalents at the beginning of the period	232	1,643	186,993	92,445
Cash and cash equivalents at the end of the period	14	258	392,879	69,331
Net increase (decrease) in cash and cash equivalents	**(218)**	**(1,385)**	**205,886**	**(23,114)**

See the accompanying notes to the financial statements.

PetroRio

Statements of added value (restated)

(supplementary information for IFRS purposes)
Six-month period ended June 30, 2019 and 2018
(In thousands of reais - R$)

	Parent company		Consolidated	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Revenues				
Oil & Gas sales	**-**	-	**687,306**	356,560
	-	**-**	**687,306**	356,560
Inputs and services				
Third party's services and other	**(1,752)**	(3,914)	**(13,662)**	(19,815)
Geology and geophysics expenses	**-**	-	**570**	(351)
Costs of services	**-**	-	**(183,705)**	(170,803)
Gross added value	**(1,752)**	(3,914)	**490,509**	165,591
Retentions				
Depreciation and amortization	**(182)**	(53)	**(121,783)**	(40,984)
Net added value	**(1,934)**	(3,967)	**368,726**	124,607
Transferred value added				
Net financial income (loss)	**(77,668)**	(26,988)	**(151,793)**	(14,491)
Equity in income of subsidiaries	**129,125**	87,014	**-**	-
Deferred taxes	**-**	6,112	**1,658**	10,839
Rents, royalties and other	**(846)**	(1,180)	**(109,342)**	(37,688)
Added value payable	**48,677**	60,991	**109,249**	83,267
Distribution of added value				
Personnel	**4,111**	8,171	**21,436**	22,218
Taxes	**2,709**	4,920	**45,955**	13,149
Interest attributable to Group's shareholders	**41,857**	47,900	**41,858**	47,900
Distributed added value	**48,677**	60,991	**109,249**	83,267

See the accompanying notes to the financial statements.

1. Operations

Petro Rio S.A. (PetroRio), was established on July 17, 2009. Headquartered in the city of Rio de Janeiro, its main purpose is to hold interests in other companies as partner, shareholder or quotaholder, in Brazil and abroad, with a focus on exploration, development and production of oil and natural gas.

For the purpose of this report, Petro Rio S.A and its subsidiaries are denominated, individually or jointly, as the “Company” or “Group”, respectively.

Its significant operations are carried out by means of subsidiaries Petro Rio O&G Exploração e Produção de Petróleo Ltda. (“PetroRioOG”), Brasoil Manati Exploração Petrolífera S.A. (“Manati”) and Petro Rio Jaguar Petróleo Ltda (“Jaguar”) are the production of oil and natural gas, operating in Campos Basin - RJ and Camumu Basin - BA, Manati.

PetroRioOG is the operator and holds 100% of the Polvo Field concession contract, acquired from BP Energy do Brasil Ltda. (“BP”) – 60% in 2014 and from Maersk Energia Ltda. (“Maersk”) – 40% in 2015.

The Polvo Field is in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. The license covers an area of approximately 134 km2 with several prospects for future exploration. Average daily output during the 2Q19 was of roughly 8.5 thousand bbl (8.2 thousand bbl for the 2Q18.

In April 2018, the Company started the Second Phase of the Revitalization Plan for the Polvo Field, continuing the successful Phase 1 in the 1Q16, which resulted in a 20% increase in production and volumes of proven developed reserves. Phase 2 consisted of drilling three new wells to reach undeveloped proved reserves (1P) and probable reserves (2P). Of the three new oil wells planned to be drilled, performed and were successfully completed. The first well operations started-up on May 20, 2018, while the second one started-up on July 30, 2018, and the third on November 1, 2018, as detailed in Note 12.

In March 2017, PetroRioOG concluded the transaction for the acquisition of 100% of the shares of Brasoil do Brasil Exploração Petrolífera S.A. (“Brasoil”). Brasoil is a holding company, indirectly holding a 10% interest in the rights and obligations of the Manati Field concession contract, in the production phase, in addition to a 10% interest in the Camarão Norte Field, under development, which in under return process by the consortia to National Agency of Petroleum, Natural Gas and Biofuels (ANP) and a 100% interest in the concessions of Blocks FZA-Z-539 and FZA-M-254, both in the exploration phase. (Note 12c).

The Manati Field is in the Camumu Basin, on the coast of the State of Bahia. The license covers an area of approximately 76 km^2. Average daily output during the 2Q19 was of roughly 3.1 million cubic meters of natural gas (4.9 million cubic meters of natural gas for the 2Q18).

On March 25, 2019, after complying with the precedent conditions and obtaining the necessary approvals, the Company completed the acquisition of Chevron Brasil Upstream Frade Ltda., renamed to Petro Rio Jaguar Petróleo Ltda., holding 51.74% of the concession and operation of Frade Field, in addition to an equivalent interest in the operational assets of the Field, becoming its operator. (note 12)

Beginning as of this date, any economic results deriving from interest in Frade Field starts to be accounted for and merged in income and balance sheet of PetroRio, that is, balance sheet balances were fully merged but only 6 days of income of the 1Q19 of Campo plus the entire income of the second quarter are reflected in consolidated statement of income, which includes the period from January 1, 2019 to June 30, 2019.

This acquisition supplemented the contract signed on October 26, 2018 for the acquisition of a 18.26% interest in the Frade Field concession, through the acquisition of Frade Japão Petróleo Ltda. ("FJPL") that still awaits precedent conditions to be completed.

Once completed, the Company will hold 70% of interest in asset.

The Frade Field is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km^2, with an average water depth of 1,155 m. Campo produced approximately 18.6 thousand barrels of oil per day in the second quarter.

With the completion of the acquisition of Jaguar, Petrorio increased its daily production by approximately 10,000 barrels, and will increase it by approximately 3 thousand upon completion of the acquisition of an additional 18.26% interest, an increase of approximately 120%.

2. Preparation basis and presentation of the financial statements

2.1. Statement of conformity

The individual and consolidated quarterly information was prepared and are presented in accordance with accounting practices adopted in Brazil, which includes the provisions of Brazilian Corporation Law, Procedures, Guidance and Interpretations issued by Accounting Pronouncement Committee - CPC and approved by the Brazilian Securities Commission - CVM and by the Federal Accounting Council - CFC, which are in conformity with international accounting standards issued by *International Accounting Standards Board - IASB*.

The statements of value added are presented as supplementary information for IFRS purposes.

The Management confirms that all relevant pieces of information characteristic of quarterly information are being evidenced and correspond to those used by Management.

2.2. Basis of preparation

The individual and consolidated quarterly information was prepared based on the historical cost, except for those measured at fair value, when indicated.

2.3. Basis of consolidation and investments in subsidiaries

The consolidated quarterly information includes quarterly information of the Company and its subsidiaries. Control is achieved when the Company has the power to control financial and operating policies of an entity to gain benefits from its activities.

The income (loss) of the subsidiaries acquired, sold or merged during the period are included in the consolidated income and comprehensive income information from the effective date of acquisition, disposal or merger, as applicable. Accordingly, income from new subsidiaries Jaguar, Frade LLC and Frade BV was considered in the Company's consolidated income beginning as of March 25, 2019, date in which purchase and sale transaction was concluded.

In the individual quarterly information of the Company, the quarterly information of the direct and indirect subsidiaries is recognized under the equity method.

(In thousands of reais, unless otherwise indicated)

When necessary, subsidiaries' quarterly information accounting policies are adjusted to those of the Group. All transactions, balances, revenues and expenses among the Group's companies are fully eliminated in consolidated quarterly information.

The Company's consolidated quarterly information include:

		Interest			
		06/30/2019		12/31/2018	
Fully consolidated companies		**Direct**	**Indirect**	**Direct**	**Indirect**
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PetroRioOG"	**100.00%**	-	100.00%	-
Petrorio USA Inc.	"PrioUSA"	**100.00%**	-	100.00%	-
Petro Rio Internacional S.A.	"PrioIntl"	**1.26%**	**98.74%**	1.69%	98.31%
Petrorio Luxembourg Holding Sarl	"Lux Holding"	-	**100.00%**	-	100.00%
Petrorio Netherlands BV	"Netherlands"	-	**100.00%**	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	-	**100.00%**	-	100.00%
Petrorio Canada Inc.	"Canadá"	-	**100.00%**	-	100.00%
Luderitz Petroleum (Pty) Ltd.	"Luderitz"	-	**100.00%**	-	100.00%
Petrorio Luxembourg Sarl	"Lux Sarl"	-	**100.00%**	-	100.00%
Cumoxi Investments (Pty) Ltd.	"Cumoxi"	-	**100.00%**	-	100.00%
Kunene Energy (Pty) Ltd.	"Kunene"	-	**100.00%**	-	100.00%
Orange Petroleum Ltd.	"Orange"	-	**100.00%**	-	100.00%
Brasoil do Brasil Exploração Petrolífera S.A.	"Brasoil"	-	**100.00%**	-	100.00%
Brasoil OPCO Exploração Petrolífera Ltda.	"Opco"	-	**99.99%**	-	99.99%
Brasoil Manati Exploração Petrolífera S.A.	"Manati"	-	**100.00%**	-	100.00%
Brasoil Coral Exploração Petrolífera Ltda.	"Coral"	-	**100.00%**	-	100.00%
Petro Rio Energia Ltda.	"PrioEnergia"	-	**100.00%**	-	100.00%
Petro Rio Comercializadora de Energia Ltda.	"Comercializadora"	-	**100.00%**	-	-
Brasoil Round 9 Exploração Petrolífera Ltda.	"Round 9"	-	**100.00%**	-	100.00%
Brasoil Finco LLC	"Finco"	-	**100.00%**	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	-	**100.00%**	-	-
Chevron Frade LLC	"Frade LLC"	-	**100.00%**	-	-
Frade B.V.	"Frade B.V."	-	**51.74%**	-	-

2.4. Accounting policies adopted

In response to CVM Official Circular Letter 003/2011, dated April 28, 2011, we declared that accounting policies adopted in the preparation of such quarterly information is presented in the most current annual financial statements (year ended December 31, 2018), except for the adoption of CPC 06 (R2) / IFRS 16 and ICPC 22 / IFRIC 23, the policy to deal with expenses associated with the Frade consortium, emphasized below.

2.5. ICPC 22 / IFRIC 23 - Uncertainty on treatment of income taxes

ICPC 22 clarifies the criteria for recognition, measurement and disclosure of the uncertainties referring to taxes on profit, due to the absence of explanations in this regard by Technical Pronouncement CPC 32 - Income taxes (CPC 32) and differences between the procedures adopted by the companies. The Company evaluated the effects and there is no impact on the financial statements.

2.6. CPC 06 (R2) / IFRS 16 – Lease operations

The Technical Pronouncement CPC 06 (R2) / IFRS 16 amend the form of presentation of operating leases in balance sheet of lessees, and also replaces the linear cost of the operating lease at the amortization cost of assets subject to right to use and interest expense on lease obligations at funding effective rates, prevailing on the hiring date of these transactions and calculated in financial expense.

After analyzing the contracts that could be included in the Pronouncement's identification principles, short-term leases maturing within 12 months were not taken into considering, in addition to leases of non-significant amounts, provided that the payments of the leases related to these contracts are recognized as expenses over the term of the contract.

The Company adopted the cumulative effect method and did not make the restatement of financial statements for prior periods, recognizing the effects in a prospective manner, as detailed in Note 17.

Lease liabilities were measured at present value of the remaining lease payments, using the surcharge rate on the Company's loan at first-time adoption date;

The right of use asset was recognized based on the value of the lease liability, adjusted for any advance or accumulated lease payment related to this lease, recognized in the balance sheet immediately before the date of the first-time adoption date.

2.7. Expenditures associated to Join Operating Agreement (JOA) of Frade Field

The Company, in the capacity of Frade Field operator, is responsible for contracting and paying all suppliers of this concession.

On a monthly basis, disbursements projected for subsequent month are estimated and charged from partners through cash calls, and evidence of expenditures is provided in billing statements.

Therefore, invoices received by the Company contemplate total value of acquired materials and services, but presentation in the Company's statements of income/ cost reflects only its interest.

(In thousands of reais, unless otherwise indicated)

2.8. Functional currency and presentation currency

This individual and consolidated quarterly information is presented in Real, functional currency of the Company. The Company defined that its functional currency is the Brazilian Real of its foreign subsidiaries is the United States dollar, on account of its incurred costs of operation. All financial information presented in Reais has been rounded to the nearest value, except otherwise indicated.

2.9. Standards and new and reviewed interpretations already issued

In the preparation of quarterly information, the Company's Management considered, when applicable, the new reviews and interpretations of IFRS and technical pronouncements, issued by IASB and CPC, respectively, which became mandatorily effective for the accounting periods ended June 30, 2019.

Standards issued and became effective on January 1, 2019:

Pronouncement or interpretation	Description
CPC 02 (R2) / IFRS 16	Leases
CPC 32 / IFRIC 23	Uncertainty on treatment of income taxes

2.10. CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors

Restatement

After reassessing certain topics and aiming at offering a better presentation of its asset position and operational and economic performance, as well as a better interpretation of the standards issued by the IASB and the CPC, the Company is restating the individual and consolidated interim financial information for the three and six month periods ended June 30, 2019, as well as the amounts corresponding to the respective statements of income and comprehensive income for the periods three and six months ended June 30, 2018 and changes in shareholders' equity, cash flows and added values for the six-month period ended June 30, 2018, presented for comparison purposes, as a result of the following adjustments:

Assets:

a. Oil inventories – Adjustment of the abandonment amortization and IFRS 16, as a result of the discount rate adjustment;
b. Advances to Partners – Recognition of the lease portion (CPC 06R2 – IFRS 16) referring to Petrobras in the Frade Field operation;
c. Deferred taxes – Record of deferred taxes on temporary differences;
d. Deferred tax assets - Presentation by the net value with deferred tax liabilities;

e. Right-of-Use (Leases CPC 06.R2 – IFRS 16) – Review of the minimum fixed amounts of the agreements and the initial discount rate for agreements in reais, from 5.63% p.a. to 10% p.a.;
f. Property, plant and equipment and intangible assets – Reclassification of asset captions between development, emergency spare parts and well maintenance costs, as well as reflecting the adjustment of the provision for abandonment due to the review of the discount rate used, from 3% p.a. without risk spread in all fields to 5.44% p.a. in Polvo and Manati, and 5.59% p.a. in Frade.

Liabilities:

g. Debentures – Valuation of option embedded in debentures convertible into shares of Petrorio S.A., completed on October 24, 2019;
h. Contractual Charges (Leases – IFRS 16) – Review of the minimum fixed amounts of the agreements and the initial discount rate for agreements in reais, from 5.63% p.a. to 10% p.a.;
i. Provision for abandonment of facilities – review of the discount rate used, from 3% p.a. without risk spread in all fields to 5.44% p.a. in Polvo and Manati, and 5.59% p.a. in Frade.
j. Deferred tax liabilities presented by the net value with deferred tax assets, with recognition of taxes on temporary differences;

Shareholders' equity and income (loss):

k. Capital reserves – Recognition of the amount of the options for converting debentures into shares of Petrorio S.A., completed on October 24, 2019;
l. Cumulative Translation Adjustment – Reflecting the adjustments made at Lux Holding, referring to the allocation of Frade's purchase price;
m. Equity valuation adjustments – Funds MTM adjustments;
n. Reflecting the adjustments highlighted above.

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Notes to the quarterly information
June 30, 2019
(In thousands of reais, unless otherwise indicated)

		06/30/2019					
		Parent company			Consolidated		
Ref.	Balance Sheet	Original	Adjustments	Restated	Original	Adjustments	Restated
	Current assets						
a	Oil inventories	-	-	-	93,764	(1,745)	92,019
b	Partners in oil and gas operations	-	-	-	32,425	104,259	136,684
	Other receivables	1	-	1	1,236	422	1,658
	Current assets not affected	19,764	-	19,764	796,849	-	796,849
		19,765	**-**	**19,765**	**924,274**	**102,936**	**1,027,210**
	Non-current assets						
c,d	Deferred taxes	-	-	-	9,773	3,159	12,932
e	Right-of-use (Lease CPC 06.R2 IFRS 16)	-	-	-	966,340	(46,674)	919,666
n	Investments	1,212,471	34,196	1,246,667	-	-	-
f	Property, plant and equipment	1,855	-	1,855	1,484,486	117,858	1,602,344
f	Intangible assets	-	-	-	958,199	(201,411)	756,788
	Non-current assets not affected	10,301	-	10,301	68,204	-	68,204
		1,224,627	**34,196**	**1,258,823**	**3,487,002**	**(127,068)**	**3,359,934**
	Total assets	**1,244,392**	**34,196**	**1,278,588**	**4,411,276**	**(24,132)**	**4,387,144**
	Current liabilities						
	Taxes and social contributions	13,817	-	13,817	85,089	8	85,097
g	Debentures	9,251	31,126	40,377	9,251	31,126	40,377
h	Contractual Charges (Lease IFRS 16)	-	-	-	195,349	(170,135)	25,214
	Current liabilities not affected	1,467	-	1,467	729,289	-	729,289
		24,535	**31,126**	**55,661**	**1,018,978**	**(139,001)**	**879,977**
	Non-current liabilities						
i	Provision for abandonment (ARO)	-	-	-	646,922	(111,664)	535,258
j	Deferred taxes and social contributions	-	3,148	3,148	2,153	(2,153)	-
h	Contractual Charges (Lease IFRS 16)	-	-	-	775,985	227,263	1,003,248
	Other liabilities	-	-	-	644	1,501	2,145
	Non-current liabilities not affected	21,175	-	21,175	766,751	-	766,751
		21,175	**3,148**	**24,323**	**2,192,455**	**114,947**	**2,307,402**
	Unaffected non-controlling interest	**-**	**-**	**-**	**1,161**	**-**	**1,161**
	Shareholders' equity						
	Capital not affected	3,307,246	-	3,307,246	3,307,246	-	3,307,246
k	Capital reserves	109,317	84,131	193,448	109,317	84,131	193,448
l	Cumulative Translation Adjustment	86,570	14,132	100,702	86,570	14,132	100,702
m	Equity valuation adjustments	(70,849)	(1,024)	(71,873)	(70,849)	(1,024)	(71,873)
n	Accumulated losses	(2,342,903)	(29,874)	(2,372,777)	(2,342,903)	(29,874)	(2,372,777)
n	Income for the year	109,301	(67,443)	41,858	109,301	(67,443)	41,858
		1,198,682	**(78)**	**1,198,604**	**1,198,682**	**(78)**	**1,198,604**
	Total liabilities	**1,244,392**	**34,196**	**1,278,588**	**4,411,276**	**(24,132)**	**4,387,144**

		Consolidated					
		01/01/2018 - 06/30/2018			01/01/2019 - 06/30/2019		
Ref.	Statements of income	Original	Adjustments	Restated	Original	Adjustments	Restated
	Unaffected net revenue from sales	356,560	-	356,560	687,306	-	687,306
a	Costs of products/services	(241,159)	3,034	(238,125)	(370,678)	5,698	(364,980)
	Gross revenue	**115,401**	**3,034**	**118,435**	**316,628**	**5,698**	**322,326**
	Geology and geophysics expenses	(351)	-	(351)	570	-	570
	Personnel expenses	(22,218)	-	(22,218)	(21,436)	-	(21,436)
	General and administrative expenses	(9,607)	-	(9,607)	(5,768)	(8,357)	(14,125)
	Expenses with Outsourced Services	(19,815)	-	(19,815)	(21,287)	7,625	(13,662)
	Taxes and rates	(2,300)	-	(2,300)	(4,867)	1,017	(3,850)
	Depreciation and amortization	(1,156)	-	(1,156)	(3,625)	165	(3,460)
i	Other operating revenues (expenses)	(3,360)	2,773	(587)	(32,265)	-	(32,265)
	Operating income (loss) before financial income (loss)	**56,594**	**5,807**	**62,401**	**227,950**	**6,148**	**234,098**
g,h,i	Financial revenues	134,176	3,032	137,208	130,665	(788)	129,877
g,h,i	Financial expenses	(117,506)	(34,193)	(151,699)	(208,875)	(72,795)	(281,670)
	Income before income tax and social contribution	**73,264**	**(25,354)**	**47,910**	**149,740**	**(67,435)**	**82,305**
	Current income tax and social contribution	(10,849)	-	(10,849)	(42,097)	(8)	(42,105)
	Deferred income tax and social contribution	10,839	-	10,839	1,658	-	1,658
	Consolidated income (loss) for the period	**73,254**	**(25,354)**	**47,900**	**109,301**	**(67,443)**	**41,858**
	Earnings (loss) per share - basic and diluted						
	Basic	6.025	(5,631)	0,394	0.831	(0.513)	0.318
	Diluted	6.025	(5,631)	0,394	0.831	(0.513)	0.318

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(In thousands of reais, unless otherwise indicated)

		Parent company					
		01/01/2018 a 06/30/2018			01/01/2019 a 06/30/2019		
Ref.	**Statements of income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Gross revenue not affected	-	-	-	-	-	-
	Other operating revenues (expenses) not affected	(14,314)	-	(14,314)	(7,866)	-	(7,866)
n	Resultado de equivalência patrimonial	80,062	6,952	87,014	128,347	778	129,125
	Operating income (loss) before financial income (loss)	**65,748**	**6,952**	**72,700**	**120,481**	**778**	**121,259**
	Financial revenues not affected	10,611	-	10,611	3,522	-	3,522
g	Financial expenses	(5,293)	(32,306)	(37,599)	(12,969)	(68,221)	(81,190)
	Income before income tax and social contribution	**71,066**	**(25,354)**	**45,712**	**111,034**	**(67,443)**	**43,591**
	Current and deferred income tax and social contribution not affected	2,188	-	2,188	(1,733)	-	(1,733)
	Consolidated income (loss) for the period	**73,254**	**(25,354)**	**47,900**	**109,301**	**(67,443)**	**41,858**
	Earnings (loss) per share - basic and diluted						
	Basic	6.025	(5,631)	0,394	0.831	(0.513)	0.318
	Diluted	6.025	(5,631)	0,394	0.831	(0.513)	0.318

		Consolidated					
		04/01/2018 - 06/30/2018			04/01/2019 - 06/30/2019		
Ref.	**Statements of income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Unaffected net revenue from sales	239,405	-	239,405	547,875	358	548,233
a	Costs of products/services	(147,467)	1,831	(145,636)	(274,149)	4,784	(269,365)
	Gross revenue	**91,938**	**1,831**	**93,769**	**273,726**	**5,142**	**278,868**
	Geology and geophysics expenses	(148)	-	(148)	(67)	-	(67)
	Personnel expenses	(9,176)	-	(9,176)	(10,863)	-	(10,863)
	General and administrative expenses	(5,823)	-	(5,823)	(2,818)	(8,357)	(11,175)
	Expenses with Outsourced Services	(9,095)	-	(9,095)	(14,496)	7,625	(6,871)
	Taxes and rates	(1,496)	-	(1,496)	(4,168)	1,017	(3,151)
	Depreciation and amortization	(598)	-	(598)	(2,009)	(57)	(2,066)
i	Other operating revenues (expenses)	(6,893)	2,773	(4,120)	(32,571)	(2)	(32,573)
	Operating income (loss) before financial income (loss)	**58,709**	**4,604**	**63,313**	**206,734**	**5,368**	**212,102**
g,h,i	Financial revenues	84,865	2,960	87,825	69,779	(880)	68,899
g.h.i	Financial expenses	(72,688)	(1,769)	(74,457)	(77,856)	(2,697)	(80,553)
	Income before income tax and social contribution	**70,886**	**5,795**	**76,681**	**198,657**	**1,791**	**200,448**
	Current income tax and social contribution	(1,874)	-	(1,874)	(36,699)	(8)	(36,707)
	Deferred income tax and social contribution	1,548	-	1,548	1,021	-	1,021
	Consolidated income (loss) for the period	**70,560**	**5,795**	**76,355**	**162,979**	**1,783**	**164,762**
	Earnings (loss) per share - basic and diluted						
	Basic	5.813	(5,185)	0,628	1.256	(0.002)	1.253
	Diluted	5.813	(5,185)	0,628	1.256	(0.002)	1.253

		Parent company					
		04/01/2018 a 06/30/2018			04/01/2019 a 06/30/2019		
Ref.	**Statements of income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Gross revenue not affected	-	-	-	-	-	-
	Other operating revenues (expenses) not affected	(3,538)	-	(3,538)	(2,984)	-	(2,984)
n	Resultado de equivalência patrimonial	67,490	6,520	74,010	170,982	402	171,384
	Operating income (loss) before financial income (loss)	**63,952**	**6,520**	**70,472**	**167,998**	**402**	**168,400**
	Financial revenues not affected	6,766	-	6,766	815	-	815
g	Financial expenses	(1,250)	(725)	(1,975)	(4,867)	1,381	(3,486)
	Income before income tax and social contribution	**69,468**	**5,795**	**75,263**	**163,946**	**1,783**	**165,729**
	Current and deferred income tax and social contribution not affected	1,092	-	1,092	(967)	-	(967)
	Consolidated income (loss) for the period	**70,560**	**5,795**	**76,355**	**162,979**	**1,783**	**164,762**
	Earnings (loss) per share - basic and diluted						
	Basic	5.813	(5,185)	0,628	1.256	(0.002)	1.253
	Diluted	5.813	(5,185)	0,628	1.256	(0.002)	1.253

		Parent Company and Consolidated					
		01/01/2018 - 06/30/2018			01/01/2019 - 06/30/2019		
Ref.	**Statements of comprehensive income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Retained earnings (loss)	**73,254**	**(25,354)**	**47,900**	**109,301**	**(67,443)**	**41,858**
l	Translation adjustment on investment abroad, net of taxes	31,083	-	31,083	(7,487)	14,132	6,645
m	Equity valuation adjustments	(29,536)	-	(29,536)	5,007	2,434	7,441
	Other comprehensive income for the period, net of taxes	**1,547**	**-**	**1,547**	**(2,480)**	**16,566**	**14,086**
	Total other comprehensive income for the period, net of taxes	**74,801**	**(25,354)**	**49,447**	**106,821**	**(50,877)**	**55,944**

		Parent Company and Consolidated					
		04/01/2018 - 06/30/2018			04/01/2019 - 06/30/2019		
Ref.	**Statements of comprehensive income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Retained earnings (loss)	**70,560**	**5,795**	**76,355**	**162,979**	**1,783**	**164,762**
l	Translation adjustment on investment abroad, net of taxes	31,234	-	31,234	(25,057)	14,132	(10,925)
m	Equity valuation adjustments	(17,979)	-	(17,979)	(13,114)	(1,024)	(14,138)
	Other comprehensive income for the period, net of taxes	**13,255**	**-**	**13,255**	**(38,171)**	**13,108**	**(25,063)**
	Total other comprehensive income for the period, net of taxes	**83,815**	**5,795**	**89,610**	**124,808**	**14,891**	**139,699**

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	Capital	Capital reserve	Equity valuation adjustment	Accumulated translation adjustment	Accumulated loss	Total
Balances at January 1, 2018 - original	**3,265,256**	**73,852**	**26,698**	**65,102**	**(2,547,778)**	**883,130**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	8,385	-	-	-	8,385
Translation adjustment on investment abroad	-	-	-	31,083	-	31,083
Gain (loss) with financial instruments	-	-	(29,536)	-	-	(29,536)
Income for the year	-	-	-	-	73,254	73,254
Treasury shares	-	(33,170)	-	-	-	(33,170)
Balances at June 30, 2018- original	**3,273,114**	**49,067**	**(2,838)**	**96,185**	**(2,474,524)**	**941,004**
Balances at January 1, 2019- original	**3,273,114**	**58,182**	**(75,856)**	**94,057**	**(2,342,903)**	**1,006,594**
Paid-up capital	34,132	-	-	-	-	34,132
Stock options granted	-	7,655	-	-	-	7,655
Translation adjustment on investment abroad	-	-	-	(7,487)	-	(7,487)
Gain (loss) with financial instruments	-	-	5,007	-	-	5,007
Income for the year	-	-	-	-	109,301	109,301
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at June 30, 2019- original	**3,307,246**	**109,317**	**(70,849)**	**86,570**	**(2,233,602)**	**1,198,682**

	Capital	Capital reserve	Equity valuation adjustment	Accumulated translation adjustment	Accumulated loss	Total
Balances at January 1, 2018 - restated	**3,265,256**	**82,500**	**26,698**	**65,102**	**(2,579,073)**	**860,483**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	8,647	-	-	-	8,647
Translation adjustment on investment abroad	-	-	-	31,083	-	31,083
Gain (loss) with financial instruments	-	-	(29,536)	-	-	(29,536)
Income for the year	-	-	-	-	47,900	47,900
Treasury shares	-	(33,170)	-	-	-	(33,170)
Balances at June 30, 2018 - restated	**3,273,114**	**57,977**	**(2,838)**	**96,185**	**(2,531,173)**	**893,265**
Balances at January 1, 2019- restated	**3,273,114**	**67,094**	**(79,314)**	**94,057**	**(2,372,777)**	**982,174**
Paid-up capital	34,132	-	-	-	-	34,132
Stock options granted	-	82,874	-	-	-	82,874
Translation adjustment on investment abroad	-	-	-	6,645	-	6,645
Gain (loss) with financial instruments	-	-	7,441	-	-	7,441
Income for the year	-	-	-	-	41,858	41,858
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at June 30, 2019- restated	**3,307,246**	**193,448**	**(71,873)**	**100,702**	**(2,330,919)**	**1,198,604**

	Parent company					
	04/01/2018 a 06/30/2018			04/01/2019 a 06/30/2019		
Statements of cash flows	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Cash flows from operating activities						
Income for the period (before taxes)	**71,066**	**(25,354)**	**45,712**	**111,034**	**(67,443)**	**43,591**
Income adjustments not affected	(1,911)	-	(1,911)	2,213	-	2,213
Financial expenses	5,255	32,306	37,561	12,951	68,221	81,172
Equity in income of subsidiaries	(80,062)	(6,952)	(87,014)	(128,347)	(778)	(129,125)
	(5,652)	**-**	**(5,652)**	**(2,149)**	**-**	**(2,149)**
Increase/ decrease in assets and liabilities not affected	(15,991)	-	(15,991)	19,336	(18)	19,318
Net cash (invested in) from operating activities	**(21,643)**	**-**	**(21,643)**	**17,187**	**(18)**	**17,169**
Net cash (invested in) from investment activities not affected	**46,566**	**-**	**46,566**	**(72,083)**	**-**	**(72,083)**
Net cash (invested in) from financing activities not affected	**(26,308)**	**-**	**(26,308)**	**54,678**	**18**	**54,696**
Net increase (decrease) in cash and cash equivalents	**(1,385)**	**-**	**(1,385)**	**(218)**	**-**	**(218)**
Cash and cash equivalents at the beginning of the period	1,643	-	1,643	232	-	232
Cash and cash equivalents at the end of the period	258	-	258	14	-	14
Net increase (decrease) in cash and cash equivalents	**(1,385)**	**-**	**(1,385)**	**(218)**	**-**	**(218)**

PetroRio

Notes to the quarterly information
June 30, 2019
(In thousands of reais, unless otherwise indicated)

	Consolidated					
	06/30/2018			06/30/2019		
Statements of cash flows	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Cash flows from operating activities						
Income (loss) for the period (before taxes)	**73,264**	**(25,354)**	**47,910**	**149,740**	**(67,435)**	**82,305**
Depreciation and amortization	44,017	(3,034)	40,983	106,754	15,029	121,783
Financial revenue	(129,356)	(3,032)	(132,388)	(124,122)	45	(124,077)
Financial expenses	106,600	34,193	140,793	185,661	73,135	258,796
Share-based compensation	8,385	-	8,385	7,655	-	7,655
Provision for contingencies/losses	2,947	-	2,947	2,194	-	2,194
Provision for impairment	-	-	-	(10)	-	(10)
Reduction of provision for abandonment (ARO)	-	(2,773)	(2,773)	-	(5,522)	(5,522)
	105,857	**-**	**105,857**	**327,872**	**15,252**	**343,124**
(Increase) decrease in assets						
Accounts receivable	(20,734)	-	(20,734)	(730)	149	(581)
Recoverable taxes	(5,476)	-	(5,476)	23,760	17	23,777
Prepaid expenses	509	-	509	(10,395)	(1)	(10,396)
Advances to suppliers	3,405	-	3,405	(5,403)	8	(5,395)
Oil inventories	(3,761)	-	(3,761)	49,626	(28,204)	21,422
Inventory of consumables	-	-	-	461	-	461
Advance to partners in oil and gas operations	549	-	549	(21,605)	5,158	(16,447)
Scrow and secured deposits	(884)	-	(884)	(52,213)	48.541	(3.672)
Other receivables	239	-	239	684	(8)	676
Increase (decrease) in liabilities						
Suppliers	14,754	-	14,754	23,059	7.022	30.081
Labor obligations	(1,983)	-	(1,983)	6,279	57	6,336
Taxes and social contributions	(1,053)	-	(1,053)	2,630	24	2,654
Contingencies	(1,334)	-	(1,334)	(2,436)	(808)	(3,244)
Advances from partners in oil and gas operations	(580)	-	(580)	-	-	-
Other liabilities	(12,214)	-	(12,214)	(16,260)	1,502	(14,758)
Net cash (invested in) from operating activities	**77,294**	**-**	**77,294**	**325,329**	**48,709**	**374,038**
Cash flows from investment activities						
(Investment) Redemption of securities	(109,944)	-	(109,944)	480,334	(32,425)	447,909
(Investment) Restricted cash redemption	17,979	-	17,979	-	(48,424)	(48,424)
(Investment) Redemption in abandonment fund	(3,289)	-	(3,289)	(1,231)	(241)	(1,472)
(Increase) decrease in property, plant and equipment	-	(4,370)	(4,370)	-	(49,504)	(49,504)
(Increase) decrease in intangible assets	-	(86,490)	(86,490)	-	16,392	16,392
(Increase) decrease in investments	-	-	-	-	-	-
(Increase) decrease in permanent assets	(90,860)	90,860	-	(17,661)	17,661	-
(Acquisition) of oil and gas assets	-	-	-	(1,544,072)	(2,156)	(1,546,228)
Non-current assets held for sale	3,470	-	3,470	-	292	292
Net cash (invested in) from investment activities	**(182,644)**	**-**	**(182,644)**	**(1,082,630)**	**(98,405)**	**(1,181,035)**
Cash flows from financing activities						
Loans and financing	123,170	-	123,170	1,027,048	(223)	1,026,825
Contractual charges (Lease IFRS 16) - Principal	-	-	-	(93,356)	27,818	(65,538)
Contractual charges (Lease IFRS 16) - Interest	-	-	-	-	(29,414)	(29,414)
Debentures	(22,256)	-	(22,256)	(856)	17	(839)
Derivative transactions	(859)	-	(859)	-	-	-
(Purchase) sale of own Company's shares (held in treasury)	(33,087)	-	(33,087)	43,479	1	43,480
(Decrease) Paid-up capital	7,709	-	7,709	12,055	-	12,055
Net cash (invested in) from financing activities	**74,677**	**-**	**74,677**	**988,370**	**(1,801)**	**986,569**
Translation adjustment	7,559	-	7,559	7,701	18,613	26,314
Net increase (decrease) in cash and cash equivalents	**(23,114)**	**-**	**(23,114)**	**238,770**	**(32,884)**	**205,886**
Cash and cash equivalents at the beginning of the period	92,445	-	92,445	154,109	32,884	186,993
Cash and cash equivalents at the end of the period	69,331	-	69,331	392,879	-	392,879
Net increase (decrease) in cash and cash equivalents	**(23,114)**	**-**	**(23,114)**	**238,770**	**(32,884)**	**205,886**

	Consolidated					
	01/01/2018 - 06/30/2018			01/01/2019 - 06/30/2019		
Statements of added value	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Revenues						
Oil & Gas sales	356,560	-	356,560	687,306	-	687,306
	356,560	**-**	**356,560**	**687,306**	**-**	**687,306**
Inputs and services						
Third party's services and other	(19,815)	-	(19,815)	(21,287)	7,625	(13,662)
Geology and geophysics expenses	(351)	-	(351)	570	-	570
Costs of services	(170,803)	-	(170,803)	(307,104)	123,399	(183,705)
Gross added value	**165,591**	**-**	**165,591**	**359,485**	**131,024**	**490,509**
Retentions						
Depreciation and amortization	(44,018)	3,034	(40,984)	(3,625)	(118,158)	(121,783)
Net added value	**121,573**	**3,034**	**124,607**	**355,860**	**12,866**	**368,726**
Transferred value added						
Net financial income (loss)	16,670	(31,161)	(14,491)	(78,210)	(73,583)	(151,793)
Deferred taxes	10,839	-	10,839	1,658	-	1,658
Rents, royalties and other	(40,461)	2,773	(37,688)	(101,607)	(7,735)	(109,342)
Added value payable	**108,621**	**(25,354)**	**83,267**	**177,701**	**(68,452)**	**109,249**
Distribution of added value						
Personnel	22,218	-	22,218	21,436	-	21,436
Taxes	13,149	-	13,149	46,964	(1,009)	45,955
Interest attributable to Group's shareholders	73,254	(25,354)	47,900	109,301	(67,443)	41,858
Distributed added value	**108,621**	**(25,354)**	**83,267**	**177,701**	**(68,452)**	**109,249**

(In thousands of reais, unless otherwise indicated)

	Parent company					
	04/01/2018 a 06/30/2018			04/01/2019 a 06/30/2019		
Statements of added value	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Net added value not affected	**(3,967)**	**-**	**(3,967)**	**(1,934)**	**-**	**(1,934)**
Transferred value added						
Net financial income (loss)	5,318	(32,306)	(26,988)	(9,446)	(68,222)	(77,668)
Equity in income of subsidiaries	80,062	6,952	87,014	128,347	778	129,125
Deferred taxes	6,112	-	6,112	-	-	-
Rents, royalties and other	(1,180)	-	(1,180)	(846)	-	(846)
Added value payable	**86,345**	**(25,354)**	**60,991**	**116,121**	**(67,444)**	**48,677**
Distribution of added value						
Personnel	8,171	-	8,171	4,111	-	4,111
Taxes	4,920	-	4,920	2,709	-	2,709
Interest attributable to Group's shareholders	73,254	(25,354)	47,900	109,301	(67,444)	41,857
Distributed added value	**86,345**	**(25,354)**	**60,991**	**116,121**	**(67,444)**	**48,677**

2.11. Completion of quarterly information

The Company's management authorized the conclusion of this quarterly information on August 27, 2019.

3. Cash and cash equivalents

	Parent company		**Consolidated**	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Cash	**-**	-	**18**	1
Banks	**14**	232	**392,861**	186,992
	14	232	**392,879**	186,993
National	**6**	117	**34,047**	1,410
Abroad	**8**	115	**358,832**	185,583

The balance of cash and cash equivalents consists of funds for the purpose of business working capital, applied in highly liquid instruments in Brazil (committed) and abroad (fixed income securities or current account deposits), without risk of significant change of the principal, and yields upon redemption.

(In thousands of reais, unless otherwise indicated)

4. Securities

	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Bank deposit certificates (i)	**-**	-	**16,011**	21,368
Promissory note (ii)	**-**	-	**59,107**	58,265
Repurchase and resale agreements (debentures)	**-**	-	**47,302**	63,221
Financial Bills	**-**	-	**-**	354
Shares	**660**	483	**660**	1,234
Time deposit (iii)	**-**	-	**160**	252,679
Financial assets - fair value through profit or loss	**660**	483	**123,240**	397,121
Fixed income debt bonds (iv)	**-**	-	**-**	114,591
Investment funds (v)	**5,698**	40,625	**9,632**	95,729
Shares	**4,392**	23,468	**7,443**	67,435
Government bonds (LFT/NTN)	**-**	788	**-**	788
Bonds	**-**	6,892	**-**	6,651
Cash/Money Market	**1,306**	9,477	**2,189**	20,855
Financial assets - fair value through other comprehensive income	**5,698**	40,625	**9,632**	210,320
Total	**6,358**	41,108	**132,872**	607,441

i. Fixed income investments (CDB) in reais, with average yield of 99% of the CDI;

ii. The Company holds a promissory note, with 6% annual earnings, also pegged to changes in the US dollar;

iii. Position of Time Deposit in dollar, which corresponds to a fixed-income investment with daily liquidity, earning interest at 2.1% p.a.;

iv. Investments in fixed income securities, in US dollars, of large institutions, with an average yield of 6.8% p.a.;

v. Investment funds in Brazil and abroad with average negative earnings of 6.17% in the quarter, which basically invest in shares, bonds and government bonds. These are open (non-exclusive) funds and have independent management, with autonomy to transact the resources invested.

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 29.

(In thousands of reais, unless otherwise indicated)

5. Restricted cash

	Consolidated	
	06/30/2019	**12/31/2018**
Frade Acquisition - 51.74% (i)	**48,523**	-
Frade Acquisition - 18.26% (ii)	**11,562**	11,628
	60,085	**11,628**

I. The Company, following the purchase and sale agreement for the acquisition of a 18.26% interest in the Frade Field concession (Frade Japão Petróleo Ltda – Note 1), the Company deposited the amount of US$ 3 million (R$ 11,780 million) in an escrow account in October 2018. The release of the amount to the seller is conditional upon the acquisition completion, after all conditions precedent to the business have been fulfilled.

II. The Company, in compliance with purchase and sale agreement for acquisition of 51.74% of interest in concession of Frade Field (Petro Rio Jaguar Petróleo Ltda – note 1), makes monthly deposits in a restricted account (Escrow) that is released to the seller according to terms agreed-upon for debt payment. In the 2Q19, the total deposited was US$ 12,648 (R$ 49,688).

6. Accounts receivable

	Consolidated	
	06/30/2019	**12/31/2018**
Petrobras (i)	**16,627**	21,206
Repsol (ii)	**-**	12,952
Petrochina (iii)	**18,758**	-
Other	**638**	774
Total	**36,023**	34,932
Total local currency	**16,627**	21,206
Total foreign currency	**19,396**	13,726

(i) Balance receivable referring to sales of condensed gas and oil carried out by Manati and Frade in May and June 2019 of approximately 26.1 million m^3 of gas, corresponding to revenues of R$ 13,289 for Manati and R$ 304 for Frade, and Manati balance referring to amount not withdrawn in June 2019 (take or pay) of R$ 3,034.

(ii) Balance receivable remaining from the sale of oil in December 2018, referring to approximately 418 thousand barrels of oil, which generated a revenue of R$ 84,695.

(In thousands of reais, unless otherwise indicated)

(iii) Balance receivable remaining from the sale of oil in June 2019, referring to approximately 495 thousand barrels of oil, which generated a revenue of R$ 111,436.

7. Recoverable taxes

	Parent company		Consolidated	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Income tax and social contribution (i)	**12,094**	12,092	**32,759**	25,747
PIS and COFINS (ii)	**6**	5	**63,508**	24,666
ICMS (iii)	**-**	-	**24,041**	16,137
VAT	**-**	-	**470**	25,775
Other	**10**	10	**510**	397
Total	**12,110**	12,107	**121,288**	92,722
Current assets	**12,110**	12,107	**90,764**	67,011
Non-current assets	**-**	-	**30,524**	25,711

(i) Primarily refers to withholding income tax on financial investments and negative balance of IRPJ/CSLL (Corporate Income Tax / Social Contribution on Net Income) and prepaid income tax and social contribution.

(ii) PIS/COFINS credits on inputs used in operation;

(iii) ICMS recoverable referring to oil loans between Frade Field partners and movement of materials upon acquisition of Polvo.

8. Advances to suppliers

	Parent company		Consolidated	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Geoquasar Energy (i)	-	-	**12,596**	12,596
BW (Prosafe) guarantee (ii)	-	-	**25,449**	25,691
Petrobras	-	-	**3,159**	2,728
Sotreq	-	-	**1,996**	1,706
Nitshore	-	-	**1,345**	1,931
Alpina	-	-	**753**	1,537
BJ Services Brasil	-	-	**1,800**	-
Asa Assessoria	-	-	**867**	-
Royalties	-	-	**754**	-
Westcon	-	-	**480**	-
Brasilco Power	-	-	**371**	-
Bronco Manufacturing	-	-	**381**	-
Belov	-	-	**366**	-

(In thousands of reais, unless otherwise indicated)

Other	**36**	93	**5,383**	4,356
Total	**36**	93	**55,700**	50,545
Total current assets	**36**	93	**43,104**	37,949
Total non-current assets	**-**	-	**12,596**	12,596

(i) The advances to Geoquasar refer to operating costs assumed by PetroRioOG and contractual payments in advance. As a counterparty to these advances, the Company has maintained the provision under "Long term suppliers" caption recorded, in the amount of R$ 12,961 (Note 13). The settlement of these amounts, both assets and liabilities, awaits court decision.

(ii) The advances to BW (Prosafe) - US$ 5,671 (R$ 21,732) and R$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo (Note 17).

Other advances derive from the Company's regular transactions.

9. Non-current assets available for sale (Consolidated)

The Company has two helitransportable drilling rigs, classified as non-current assets held for sale as the table below:

	Balance at 12/31/2018	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 06/30/2019**
Aircrafts	**-**	-	-	-	-	**-**
Drilling rigs	**26,581**	-	-	-	(292)	**26,289**
	26,581	-	-	-	(292)	**26,289**
	Balance at 12/31/2017	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 12/31/2018**
Aircrafts	**5,623**	(8,798)	-	2,203	972	**-**
Drilling rigs	**22,693**	-	-	-	3,888	**26,581**
	28,316	(8,798)	-	2,203	4,860	**26,581**

In 2016, a provision for impairment of drilling rigs was formed in the amount of R$ 6,712 (US$ 1.96 million) due to the ongoing negotiations for the sale of assets, reducing the amounts of each drilling rig from US$ 3,920,000 (already net of the 2% sales commission) to US$ 3,430,000 (R$ 13,366).

On April 25, 2017, two helitransportable drilling rigs were sold to the company Neftpromleasing LLC (subsidiary of Rosneft) for an amount of US$ 3.5 million per drilling rig (an amount that were recorded), fully received as of May 25, 2017.

On July 2, 2018 the sale of the last aircraft of the Company was made to Omni Taxi Aereo, for the amount of US$ 800 thousand.

Assets held for sale are recorded at fair value. The sale of assets held for sale is considered highly likely and the Company maintains an active search for buyers. In addition, Management has been making the necessary efforts to successfully sell such assets by amounts equal or higher than those recorded. Changes in economic conditions or in transactions currently under discussion may result in the recognition of further losses to those already recognized.

10. Investments - restated

On June 30, 2019, the Company presented the following main interest held in direct subsidiaries:

- **Petro Rio O&G Exploração e Produção de Petróleo Ltda. ("PetroRioOG")**

The subsidiary was created on July 20, 2009, with headquarters in Rio de Janeiro, and engages in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) equity interest holding in other companies.

PetroRioOG has the concession of Polvo Field, located in the South portion of Campos Field, in Rio de Janeiro State. Since March 2011, PetroRio already operated as Operator B, in shallow waters and, beginning as of October 2015, PetroRioOG was qualified as Operator A by ANP, which permits conduction of activities in land areas, and shallow, deep and ultra-deep waters.

On October 07, 2015, PetroRio paid-up capital of PetroRioOG, in the amount of R$197,269, with shares of PTRIntl; now, PetroRioOG holds 98.3% of interest in PrioIntl capital.

In December 2016, PetroRioOG entered into a purchase and sale agreement for the acquisition of 52.40% of Brasoil Exploração Petrolífera S.A. ("Brasoil"), conditional upon the non-exercise, by minority shareholders, of the right of first offer, which expired in January 2017. In February 2017, minority shareholders decided to adhere to the tag-along clause, and PetroRioOG now holds a 100% interest in Brasoil. The transaction was completed on March 20, 2017.

Brasoil is a holding company which holds an indirect interest of 10% in the rights and obligations set forth in the concession contract of Manati Field, which, on its turn, currently producing about 3.1 million cubic meters of natural gas per day (4.9 million cubic meters of natural gas in 2018), ranking as the 8th largest natural gas field in Brazil.

In addition to its interest in Manati field, other relevant assets of Brasoil include the indirect 100% interest in the concessions of Pirapema Field and FZA-M-254 Block, both located at the mouth of the Amazon River.

Due to restructurings of the Company's organization chart, Brasoil and all associated companies were transferred from PetroRioOG to Lux Holding, as capital contribution.

- **Petro Rio Internacional S.A. ("PrioIntl")**

The subsidiary, headquartered in Rio de Janeiro is engaged in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) equity interest holding in other companies.

All Group's companies located outside of Brazil, except for PrioUSA, are consolidated under a single corporate structure having PrioIntl as head office in Brazil.

Currently, the main Companies controlled by PrioIntl are Lux Holding and Netherlands, companies that have large-sized assets in operation or held for sale, Brasoil Manati, , which was contributed by PetroRioOG in June 2019, and Lux Sarl, which as for September 2016 started to trade the oil produced in the Polvo field. The acquisition of Petrorio Lux Energy S.à.r.l. (formerly BP Energy América LLC and merged in December 2017 by Lux Holding) was part of the acquisition of Polvo field and owner of a 3,000 HP drilling rig, which is the equipment needed for operations in this field.

Moreover, under this corporate structure are subsidiaries located In Canada and the Republic of Namibia.

As mentioned in Notes 1, Petrorio, through its subsidiary Lux Holding, entered into purchase and sale agreements for the acquisition of a 18.26% and 51.74% interest on October 26, 2018 and January 30, 2019, respectively, in the Frade Field concession, through the acquisition of Frade Japão Petróleo Ltda and of Chevron Brasil Upstream Frade Ltda.

On March 25, 2019, the acquisition of the 51.74% interest was completed, and the Company became also the operator of Frade Field. Once the acquisition of 18.26%, which depends on previous conditions and internal and external approvals, have been completed, the Company will hold a 70% interest in the asset.

Additionally, PrioIntl has interest in a block in the Recôncavo Basin and one Block in Espírito Santo Basin (ES), where is non-operator, and on February 28, 2017 the Company entered into an assignment agreement of interest in these blocks (10%) to the consortium operator, COWAN, in exchange for outstanding amounts payable to the operator regarding cash calls, in the amount of R$ 305.

(In thousands of reais, unless otherwise indicated)

- **Petrorio USA Inc ("PrioUSA")**

Established on March 4, 2011, former HRT America Inc., incorporated under the laws of the State of Delaware and headquartered in Houston, USA. Subsidiary was basically established to provide geology and geophysics services to other subsidiaries of the Group, mainly to PrioIntl and its subsidiaries.

Portfolio of concessions

On June 30, 2019 the Company's subsidiaries were participants in the following concessions in Brazilian basins

Country	Basin	Block	Field	Concessionaire	%	Status	Phase
Brazil	Campos	BM-C-8	Polvo	PetroRioOG	100%	Operator	Production
Brazil	Camamu	BCAM-40	Manati	Manati	10%	Non-operator	Production
Brazil	Campos	Frade	Frade	Jaguar	52%	Operator	Production
Brazil	Camamu	BCAM-40	Camarão Norte	Manati	10%	Non-operator	Development
Brazil	Foz do Amazonas	FZA-M-254	-	Manati	100%	Operator	Exploration
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Manati	100%	Operator	Exploration
Brazil	Ceará	CE-M-715	-	Jaguar	50%	Operator	Exploration

The BCAM-40 Block Consortium started and waits for the process of returning the discovery of Camarão Norte, located in south of the Manati Field, in the Camamu-Almada Basin, to the National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Company has a 10% interest in the discovery of Camarão Norte, which was declared a commercial undertaking in 2009. After evaluating several development plans and potential unitization to the adjacent area, the consortium concluded that the area was not economically feasible and decided to return it.

The acquisition of Jaguar expanded the concessions portfolio with 51.74% Frade Field, in partnership with Petróleo Brasileiro S.A. with 30% and Frade Japão Petróleo Ltda. with 18.26%, and with 50% of the Exploratory Block CE-M-715, in Ceará Basin, in partnership with Ecopetrol.

a) Relevant information on investees as of June 30, 2019

	PetroRioOG	PrioIntl	PrioUSA
Direct interest	100.00%	1.21%	100.00%
Indirect interest	0.00%	98.79%	0.00%
Shareholders' equity	1,232,672	1,155,331	(59)
Income (loss) for the period	119,106	96,520	(53)
Total assets	2,756,105	3,206,078	215

(In thousands of reais, unless otherwise indicated)

b) Breakdown of investments

	Parent company	
	06/30/2019	**12/31/2018**
PetroRioOG	**1,232,672**	1,001,913
PrioUSA	**(59)**	(61)
PrioIntl	**13,995**	4,230
	1,246,608	1,006,082
Investments	**1,246,667**	1,006,143
Investment deficit *(Provision for loss on investments in subsidiaries)*	**(59)**	(61)

c) Changes in investment

	PetroRioOG	PrioIntl	PrioUSA	Total
Balance at January 01, 2018	**772,568**	**3,154**	**(315)**	**775,407**
Capital increase/decrease	50,000	-	914	50,914
Equity in income of subsidiaries	216,246	666	(515)	216,397
Equity valuation adjustment	-	-	(119)	(119)
Equity evaluation adjustments	(65,389)	(83)	-	(65,472)
Conversion adjustments	28,488	493	(26)	28,955
Balance at December 31, 2018	**1,001,913**	**4,230**	**(61)**	**1,006,082**
Capital increase/decrease	101,242	-	59	101,301
Equity in income of subsidiaries	119,106	10,072	(53)	129,125
Equity evaluation adjustments	3,420	35	-	3,455
Conversion adjustments	6,991	(342)	(4)	6,645
Balance at June 30, 2019	**1,232,672**	**13,995**	**(59)**	**1,246,608**

11. Property, plant and equipment (Consolidated) - restated

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 06/30/2019	Balance at 12/31/2018
In operation						
Platform and Drilling rig - Polvo	UOP*	101,439	(96,790)	21,035	25,684	29,366
Oil & gas assets - Manati	UOP*	47,100	(39,307)	-	7,793	6,400
Oil & gas assets - Frade	UOP*	5,854,563	(4,717,683)	(9,719)	1,127,161	-
Machinery and equipment	10	8,008	(471)	-	7,537	2
Furniture and fixtures	10	1,162	(511)	-	651	649
Communication equipment	20	359	(171)	-	188	172
IT equipment	20	4,500	(2,451)	-	2,049	1,762
Leasehold improvements	4	1,524	-	-	1,524	4
Development expenditures	UOP *	241,506	(71,370)	-	170,136	175,889
Maintenance of wells	33%	35,868	(14,367)	-	21,501	26,309
Property, plant and equipment in progress						
Construction in progress **		6,646	-	-	6,646	6,937
Spare parts		30,573	-	(106)	30,467	22,857
Material for well revitalization/re-entry – Frade		201,007	-	-	201,007	-
Total		**6,534,255**	**(4,943,121)**	**11,210**	**1,602,344**	**270,347**

*UOP – Units of Production (Unit-of-production depreciation method)
** Construction in progress refers basically to expenditures with administrative facilities.
*** With the completion of Jaguar acquisition, the Company then consolidates 51.74% of the assets related to the field, which include, in addition to the expenses related to producing wells, FPSO Frade and all submarine equipment. In addition, Frade consortium

(In thousands of reais, unless otherwise indicated)

prepared for the Field Revitalization Plan by acquiring materials and equipment that are classified as assets in progress, as well as FPSO equipment and submarines that are waiting drilling of more wells to start operation.

b) Changes in balance

	Balance at 01/01/2019	Additions	Write-offs	Depreciation	Impairment	Translation adjustment	Acquisition - Frade	Balance at 06/30/2019
In operation								
Platform and Drilling rig - Polvo	**29,366**	-	-	(3,369)	-	(313)	-	**25,684**
Oil & gas assets - Manati	**6,400**	2,444	(22)	(1,039)	10	-	-	**7,793**
Oil & gas assets - Frade	**-**	4,409	(64,202)	5,075	-	(9,719)	1,191,598	**1,127,161**
Machinery and equipment	**2**	-	-	(471)	-	-	8,006	**7,537**
Furniture and fixtures	**649**	65	(28)	(57)	-	-	22	**651**
Communication equipment	**172**	46	-	(30)	-	-	-	**188**
IT equipment	**1,762**	525	(17)	(260)	-	-	39	**2,049**
Leasehold improvements	**4**	1,521	(1)	-	-	-	-	**1,524**
Development expenditures	**175,889**	14,613	(18)	(20,348)	-	-	-	**170,136**
Maintenance of wells	**26,309**	3,061	(2,115)	(5,754)	-	-	-	**21,501**
In progress								
Constructions in progress	**6,937**	5,365	(5,656)	-	-	-	-	**6,646**
Spare parts	**22,857**	36,034	(28,318)	-	-	(106)	-	**30,467**
Material for well revitalization/re-entry – Frade	**-**	-	(2,322)	-	-	-	203,329	**201,007**
Total	**270,347**	**68,083**	**(102,699)**	**(26,253)**	**10**	**(10,138)**	**1,402,994**	**1,602,344**

	Balance at 01/01/2018	Additions	Write-offs	Depreciation	Impairment	Translation adjustment	Transfer	Balance at 12/31/2018
In operation								
Polvo A platform and drilling rig	**30.650**	-	-	(6.258)	-	4.974	-	**29.366**
Oil & gas assets - Manati	**28.128**	305	(15.869)	(6.075)	(89)	-	-	**6.400**
Machinery and equipment	**2**	-	-	-	-	-	-	**2**
Furniture and fixtures	**460**	289	(5)	(95)	-	-	-	**649**
Communication equipment	**163**	55	-	(46)	-	-	-	**172**
IT equipment	**540**	1.504	-	(282)	-	-	-	**1.762**
Leasehold improvements	**1.343**	11	(1.311)	(39)	-	-	-	**4**
Development expenditures	**42.411**	156.227	-	(22.749)	-	-	-	**175.889**
Maintenance of wells	**8.838**	14.374	-	(6.432)	-	-	9.529	**26.309**
In progress								
Constructions in progress	**-**	6.937	-	-	-	-	-	**6.937**
Emergency spare parts	**11.395**	19.835	-	-	-	1.156	(9.529)	**22.857**
Total	**123.930**	**199.537**	**(17.185)**	**(41.976)**	**(89)**	**6.130**	**-**	**270.347**

PetroRio

Notes to the quarterly information
June 30, 2019
(In thousands of reais, unless otherwise indicated)

12. Intangible assets (Consolidated) - restated

a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		06/30/2019	**12/31/2018**
Oil & Gas assets			
Acquisition cost - Polvo	(*)	**321,346**	311,906
Acquisition cost - Manati	(*)	**263,035**	263,035
Goodwill on acquisition of Brasoil	(**)	**19,233**	19,777
Subscription bonus - FZA-M-254		**5,968**	5,968
Subscription bonus - FZA-Z-539		**8,022**	8,022
Subscription bonus - Frade	(*)	**39,304**	-
Subscription bonus - Ceará		**31,358**	-
Capital gain in the acquisition of the Frade concession	(***)	**588,006**	-
Client portfolio - Manati	(*)	**9,429**	9,561
Software and others	20	**9,025**	9,037
		1,294,726	627,306
Accumulated amortization		**(537,938)**	(486,357)
Total		**756,788**	140,949

(*) Acquisition costs/subscription bonus and exploration expenditures are amortized by the unit of production method, considering the production of each concession and the volume of reserves when exploration/redevelopment processes will be completed. **(**)** Goodwill on acquisition of Brasoil and included in the book value of the investment of PetroRioOG, and not amortized. Due to goodwill based on future earnings, it is recognized and tested separately (on an annual basis) for impairment. **(***)** Capital gain related to acquisition of Frade and included in accounting value of Lux Holding investment.

b) Changes in balance

	Balance at 01/01/2019	Additions	Write-offs	Acquisition - Frade	Amortization	Translation adjustment	Balance at 06/30/2019
Acquisition cost - Polvo	50,067	9,440	-	-	(6,698)	-	**52,809**
Acquisition cost - Manati	51,269	-	-	-	(6,002)	-	**45,267**
Goodwill on acquisition - Brasoil	19,777	-	-	-	-	(544)	**19,233**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	**8,022**
Subscription bonus - Frade	-	-	-	1,037	102	-	**1,139**
Subscription bonus - Ceará	-	-	-	31,358	-	-	**31,358**
Capital gain in the acquisition of the Frade concession	-	-	-	597,904	-	(9,898)	**588,006**
Client portfolio - Manati	5,560	-	-	-	(716)	(132)	**4,712**
Software and others	286	-	(12)	-	-	-	**274**
	140,949	**9,440**	**(12)**	**630,299**	**(13,314)**	**(10,574)**	**756,788**

	Balance at 01/01/2018	Additions	Write-offs	Amortization	Translation adjustment	Balance at 12/31/2018
Acquisition cost - Polvo	85.589	-	(23.624)	(11.898)	-	**50.067**
Acquisition cost - Manati	70.697	-	-	(19.428)	-	**51.269**
Goodwill on acquisition - Brasoil	19.777	-	-	-	-	**19.777**
Subscription bonus - FZA-M-254	5.968	-	-	-	-	**5.968**
Subscription bonus - FZA-Z-539	8.022	-	-	-	-	**8.022**
Client portfolio - Manati	7.566	-	-	(2.006)	-	**5.560**
Software and others	286	-	-	-	-	**286**
	197.905	**-**	**(23.624)**	**(33.332)**	**-**	**140.949**

On conclusion of the 40% Polvo Field acquisition in January 2016, PetroRio put in place the first stage of the Polvo revamping plan, intended to extend its useful life by increasing production based on undeveloped proved reserves (1P) and probable reserves (2P), involving three existing wells, two of which operating. The investment classified as development expenditures, recorded in the fiscal year ended December 31, 2016, totaled R$ 68,042.

In April 2018, the Company started the second phase of the Revitalization Plan for the Polvo Field, continuing the successful first phase. Phase 2 consisted of drilling three new wells and they were completed successfully. The wells, called POL H, POL Z and POL M, started operating on May 20, 2018, July 30, 2018, and November 1, 2018, respectively, following the planned schedule. Development expenditures related to this campaign of 2018 amounted to R$ 156,227.

In December 2018, the Company, through an independent international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of Polvo and Manati Field, specifically of proven developed reserves after the start of production of three wells completed in 2018. Reevaluation indicated extension of Polvo field useful life with abandonment in 2025 (in December 2017, the useful life of the Field was estimated up to 2021) with an increment to the proved developed reserve is approximately 10 million barrels.

In Manati, the revaluation indicated the maintenance of useful life of the field up to the end of 2023, although with a decrease of 24 million m3 (3.5% of the total considered in 2017) in the proven developed reserves.

In June 2019, the Company carried out with the same international certifying entity re-evaluation of Frade Field proven and developed reserves; this re-evaluation indicated reserves of approximately 19 million barrels. This result made accumulated depreciation/amortization recorded in 2019 period to be reduced by approximately R$ 68 million to reflect new reserves and depreciation percentages.

c) Business combination

On March 25, 2019, the Company concluded the transaction for the acquisition of 100% of Jaguar shares by means of its direct subsidiary Lux Holding. These companies together hold a 51.74% interest in the consortium that operates Frade Field, 51.74% of FPSO and the Submarine Equipment operating in the Field, and the same percentage over the shares of Empresa Frade B.V., located in Netherlands, legal owner of the assets imported under the special regime (REPETRO).

The Company is also the operator of the Frade Field, which may influence the decisions of the consortium, which are formed, in addition to PetroRio, by Petrobrás with 30%, and FJPL with 18.26%, and implement cost reductions and synergies to its operation.

(In thousands of reais, unless otherwise indicated)

Currently, the Frade Field produces 18.6 thousand barrels of oil per day and is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km^2, with an average water depth of 1,155 m.

Additionally, Jaguar holds a 50% interest in Exploratory Block CE-M-715 concession, in Ceará Basin, west coast, in the municipality of Paracuru, 80km from the coast. Currently, the Company, which has a partnership with Ecopetrol in this block, is awaiting the environmental licensing to start the exploratory drilling.

Despite the essence of the transaction, it was made through two separate purchase and sale contracts, with different prices, considering that the two companies subject to the transaction did not have the same controlling companies. The Company, by means of specialized advisory services, performed the calculation of fair values of assets acquired and liabilities assumed, to allocate the purchase price regarding two purchase and sale contracts, calculating its effects on an individual basis.

The definitive allocation of purchase price recognized in the subsidiary Lux Holding caused the following distribution:

Fair value in US$	**Jaguar**	**Frade LLC**
Final purchase price	120,054	288,014
Allocation of price		
Shareholders' equity on acquisition	16,176	244,726
Surplus over concession contract	118,756	-
Capital gain on FPSO and Subsea equipment	-	65,176
Deferred taxes on surplus	(29,618)	(16,255)
Negative goodwill from bargain purchase (adjusted at deferred tax)	14,740	(5,633)
Deferred taxes on goodwill	-	(1,405)

The deferred income tax liability refers to the projection of taxation on the gain from a bargain purchase, if occurred. The rate used was 24.94%, which is the current rate in Luxembourg, the country where Lux Holding is located. The deferred tax liability supports the tax credit in the same amount, considering that Lux Holding has a enough tax loss balance to offset the projected tax, and that in Luxembourg there is not a 30% offsetting limit on the tax due. In other words, 100% of the tax, if any, will be offset.

13. Suppliers

	Parent company		**Consolidated**	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Domestic suppliers	**665**	176	**85,902**	55,634
Foreign suppliers	**511**	42	**54,081**	31,037
	1,176	218	**139,983**	86,671
Total current liabilities	1,176	218	126,570	73,258
Total non-current liabilities	-	-	13,413	13,413

(In thousands of reais, unless otherwise indicated)

14. Taxes and social contributions payable

	Parent company		Consolidated	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
IRPJ and CSLL payable	**9,191**	9,162	**56,841**	18,307
PIS/COFINS/CSLL	**19**	46	**8,377**	6,678
Service tax	**-**	2	**2,176**	3,200
IRRF on services	**68**	109	**2,003**	1,291
ICMS	**41**	41	**973**	945
INSS	**4,452**	4,448	**6,312**	5,667
Taxes on Equity	**-**	-	**953**	166
FGTS	**3**	3	**206**	225
Royalties	**-**	-	**7,116**	-
Other	**43**	46	**140**	531
	13,817	13,857	**85,087**	37,010

On July 20, 2017, the subsidiary Manati joined to the Special Tax Regularization Program (PERT) to settle outstanding debts (IRPJ, CSSL, PIS and COFINS) in the amount of R$ 7,845, of which R$ 6,269 was principal and R$ 1,576 referring to fine and interest, up to the date of the membership. The amount of R$ 1,080 was reversed in the year with the decrease of 90% interest and 70% fine. Of the net balance, 5% (R$ 398), were paid in cash as down payment and the remaining balance (R$ 6,343) was settled with credits arising from tax losses from the group's companies by means of consolidation of the installments carried out on 12/12/2018.

15. Loans and financing

		Additions		Payments		Foreign	Translation	
	12/31/2018	**Principal**	**Interest**	**Principal**	**Interest**	**exchange**	**adjustment**	**06/30/2019**
Chevron (i)	-	868,537	12,215	-	-	-	(10,263)	870,489
ICBC (ii)	-	222,900	4,538	-	(3,363)	7,043	-	231,118
Credit Suisse (iii)	222,388	-	-	(212,712)	-	(8,430)	(1,246)	-
FINEP (iv)	25,767	10,289	1,232	-	(1,083)	-	-	36,205
SAFRA (v)	-	327,077	290	(209,371)	(278)	-	(737)	116,981
CCB (vi)	-	19,998	102	-	-	-	-	20,100
Fibra	-	9,924	45	-	-	-	-	9,969
Daycoval	-	6,688	98	-	-	-	-	6,786
Total	**248,155**	**1,465,413**	**18,520**	**(422,083)**	**(4,724)**	**(1,387)**	**(12,246)**	**1,291,648**
Current	222,437							566,985
Non-current	25,718							724,663

(i) On January 29, 2019, the Company entered into a contract, effective as of March 25, 2019, with Chevron Latin America Marketing LLC and Chevron Amazonas LLC for the acquisition of Chevron Brasil Upstream Frade LTDA, Chevron Frade LLC and Frade B.V., in the amount of USD 224,023, with a two-year term. The financing is at Libor + 3% p.a., generating financial expense of R$ 12,215 until June 30, 2019.

(ii) On February 18, 2019, the Company signed an export prepayment agreement with the Chinese bank ICBC in the amount of US$ 60 million (R$ 229,932) and with a four-year term. The financing has a cost of Libor + 3% p.a., generating R$ 4,469 for financial expense up to June 30, 2019.

(iii) Credit limit of Credit Suisse's used to finance maintenance costs of Polvo and working capital for the Company's operations. The terms is conditioned to the short-term investments remaining in the bank, which are the guarantee for this credit facility, at cost of Libor + 1.9% p.a., generating financial expense of R$ 133 in year 2018.

(iv) On November 19, 2018, the Company signed an agreement with Finep for a R$ 90 million credit facility to be paid in 10 years, including a 2.5-year grace period. Financing cost is TJLP (Long-term interest rate) + 1.5% p.a. Up to June 30, 2019, FINEP released approximately R$ 36,000 with accumulated interest of R$ 1,288.

(v) On May 31, 2019, the Company entered into an agreement with Banco Safra for prepayment of receivables, amounting to USD 27,000 (R$ 103,469) with Libor costs of 1.95 p.a., generating a financial expense of R$ 413. In addition, it received funds from a loan of R$ 13,500 on March 29, 2019, with floating costs of CDI + 2.18% p.a.

(vi) On June 24, 2019, the Company entered into a contract for Advance on Exchange Contract with China Construction Bank in the amount of USD 5,242,000 (R$ 19,998,230) with costs of 5% p.a. and period of 6 months.

16. Debentures - restated

a) Convertible into shares – PetroRio S.A.

The meeting of the Company's Board of Directors' held on October 27, 2014 approved the 1st issuance of convertible debentures in a single series, subordinated and unsecured, of private placement, amounting to R$ 90 million.

On December 9, 2014, the placement was completed, with the subscription of a total of 4,359,624 debentures, totaling R$87,192.

The debentures have a term of five (5) years, maturing in October 24, 2019, and bear interest corresponding to the accumulated change of 90% of the average daily rates of the DI rate.

The debentures may be converted into shares at the sole discretion of the debentureholders, since October 24, 2015 until the date of maturity of the debentures (exclusive). The number of shares to be delivered to the debentureholders on the date of conversion of the debentures will be the result of dividing the par value of the debentures by the lesser of: (i) the weighted average, based on the daily volume, of the closing price of the shares in the last ten (10) trading sessions on BM&FBOVESPA, preceding October 27, 2014, applying a 25% discount; or (ii) the weighted average, based on the daily volume, of the closing price of shares in the last 10 trading sessions on the BM&FBOVESPA, prior to receipt of the conversion request by applying a discount of 25%, thus giving a conversion price. The Management has assessed this conversion option on June 30, 2019, and in accordance with financial models has concluded that there is no attributable value at the present time.

(In thousands of reais, unless otherwise indicated)

In accordance with the debenture issuance deed, early maturity clause 4.12, the debentures shall be reported as early overdue in the occurrence of any following hypothesis:
- Bankruptcy, judicial or extrajudicial recovery request of the issuing company;
- Protest of debt-claims for amounts greater than R$ 100,000;
- Mergers, consolidations and split-ups without prior consent of debentureholders, in accordance with Corporation Law.

The full remuneration is paid semiannually, with the first payment was made six (6) months after the date of issuance.

	01/01/2019	Translation	Adjustment at fair value	Recognized interest	Paid	06/30/2019
Principal	28,578	(22,077)	2,341	-	-	**8,842**
Financial charges	306	-	-	620	(839)	**87**
Translation option	40,788	(75,219)	65,879	-	-	**31,448**
Total	**69,672**	**(97,296)**	**68,220**	**620**	**(839)**	**40,377**
Current	306					40,377
Non-current	69,366					-

	01/01/2018	Translation	Adjustment at fair value	Recognized interest	Paid	12/31/2018
Principal	25,778	(149)	2,949	-	-	**28,578**
Financial charges	352	-	-	1,774	(1,820)	**306**
Translation option	28,260	(262)	12,790	-	-	**40,788**
Total	**54,390**	**(411)**	**15,739**	**1,774**	**(1,820)**	**69,672**
Current	352					306
Non-current	54,038					69,366

Up to June 30, 2019, debentureholders opted to convert 3,901,219 debentures (R$ 78,028 reversed to capital), representing around 89% of total issued debentures.

17. Lease operations CPC 06 (R2) / IFRS 16 - restated

At January 1, 2019, the Company adopted the guidance and procedures of CPC 06 (R2) / IFRS 16, related to lease transactions.

Following the practices presented in note 2.6, the Company initially recognized the effects of the adoption of the CPC 06 (R2) / IFRS 16 as follows:

(In thousands of reais, unless otherwise indicated)

Assets	
Partners in oil and gas operations	41,684
Right-of-use (Lease CPC 06.R2 IFRS 16)	1,019,768
Total Assests	**1,061,452**
Liabilities	
Contractual Charges (Lease IFRS 16)	(1,061,452)
Total Liabilities	**(1,061,452)**

To calculate this amount, the terms when the assets are necessary for the operation and surcharge on loans, of 5.63% p.a. to contracts in Dollar and 10% p.a. for contracts in Reais were taken into consideration.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	1,297,887
Weighted average incremental borrowing rate as at 1 January 2019	6,3429%
Discounted operating lease commitments at January 1, 2019	**1,061,452**

The right of use assets presented refer to the following underlying assets:

Right-of-use assets	Cost	Amortization	Balance
FPSO	796,613	(66,384)	730,229
Support Vessels	87,228	(6,040)	81,188
Helicopters	29,458	(2,475)	26,983
Buildings	50,963	(3,555)	47,408
Equipment	36,071	(2,213)	33,858
Total	**1,000,333**	**(80,667)**	**919,666**

The amortization of the right of use, when related to assets used for the operations, is firstly recognized in inventory and then transferred to income when disposed. Administrative assets are directly recorded in the income statement, both under the straight-line method, observing the periods when they are used.

Exchange-rate change and inflation adjustment are recorded directly in the Company's statement of income.

(In thousands of reais, unless otherwise indicated)

Effects presented in the six-month period ended June 30, 2019 were:

	Assets	Liabilities
Recognition on January 1, 2019	**994,395**	**(1,061,452)**
Additions/Reversals	5,938	(47,145)
Currency adjustment	-	11,630
Monetary restatement	-	(31,939)
Payments made	-	100,444
Amortization	(80,667)	-
Balance at June 30, 2019	**919,666**	**(1,028,462)**
Current	-	(25,214)
Non-current	919,666	(1,003,248)

** Considers 100% of the changes occurred in the first semester of 2019. For consolidation purposes, only 6 days of monetary and exchange adjustment of the obligations related to Frade Field as for the 1Q19 were considered in PetroRio's income statement, as the acquisition was completed on March 25, 2019*

18. Current and deferred income tax and social contribution - restated

	Tax loss		Tax credit	
Companies	**06/30/2019**	**12/31/2018**	**06/30/2019**	**12/31/2018**
PetroRio S.A.	**44,830**	48,891	**15,242**	16,623
PetroRio O&G	**1,181,463**	1,188,659	**401,697**	404,144
PetroRio Internacional	**14,364**	10,643	**4,884**	3,619
Brasoil Group	**139,713**	139,685	**47,502**	47,493
Petro Rio Jaguar Ltda.	**1,495,764**	-	**508,560**	-
	2,876,134	**1,387,878**	**977,885**	**471,879**

The Company has tax loss carry forwards and negative social contribution tax generated in Brazil, which may be offset against future taxable profit, limited to 30% every year. Management opted for recognizing only the amounts corresponding to 30% of the recorded deferred liabilities, which refer to the discount recorded in the acquisition of the Polvo Field, and the marking to the market of the financial instruments. Other credits, which will be recognized as the future taxable income is being generated.

The provision for deferred income and social contribution tax is as follows:

	Parent company		Consolidated	
	06/30/2019	**12/31/2018**	**06/30/2019**	**12/31/2018**
Negative goodwil on fair value recognized assets on in business combinations	-	4	**(1,588)**	4
Mark to market of financial instruments	**3,148**	3,148	**(11,344)**	(11,344)
Net balance of (Assets) Liabilities	**3,148**	3,152	**(12,932)**	(11,340)

(In thousands of reais, unless otherwise indicated)

19. Provision for abandonment (ARO) - restated

Changes in the balance of provision for abandonment of wells in the Polvo, Manati and Frade Field are shown below:

	Polvo	Manati	Frade
Balance at December 31, 2017	**167,928**	**50,160**	**-**
Decrease	(32,659)	(20,413)	-
Currency adjustment	26,767	6,279	-
Price-level restatement	9,301	2,789	-
Balance at December 31, 2018	**171,337**	**38,815**	**-**
Currency adjustment	(2,016)	(365)	(8,476)
Monetary restatement	3,792	988	8,898
Acquisition - Frade	-	-	561,338
Addition	9,440	2,396	(77,403)
Balance at June 30, 2019	**182,553**	**41,834**	**484,357**
(-) Maersk's guarantee / Brasoil's abandonment fund	(131,234)	(42,252)	-
Net balance of liabilities	**51,319**	**(418)**	**484,357**

The estimated abandonment costs were provisioned for the period ended June 30, 2019.

For Polvo field, this provision corresponds to PetroRio interest of 100%, and reflects the estimated present value discounted at the rate of 3.30% p.a. and monetarily restated at the rate of 2.04% p.a. In addition, amounts are adjusted by the changes in the USD rate. These costs will be incurred in the abandonment of the Polvo field, including, but not limited to the plugging of wells, and the removal of production lines and equipment.

Regarding Manati field, a new abandonment study was approved in November 2018, which reduced the total provision by approximately US$ 48 million (100%), with a decrease of R$ 16,329 in the Company's balance sheet, corresponding to a 10% interest in Manati. 20% of the provision for abandonment are represented by costs in reais, updated at the inflation rate of 4.5% per annum and discounted at the risk-free rate of 10.16% per annum. The other costs, estimated in USD, are updated at the inflation rate of 2.04% p.a. and discounted at the risk-free rate of 3.30%, before translation into reais.

To assure the consortium's ability to settle the abandonment obligations in the Manati field, the operator Petrobras collects monthly installment regarding estimated abandonment expenditures from consortium members. The contributed amounts are invested and will be used to pay the abandonment costs when they occur. As of June 30, 2019, the Company maintained a balance of R$ 42,252.

For Frade field, this provision corresponds to PetroRio interest of 51.74%, and reflects the estimated present value discounted at the rate of 4.80% p.a. The main expenses included in these entries are removal of FPSO, abandonment of wells (e.g. drilling rig lease, cementation, pipe and pipeline removal, placement of buffers), environmental remediation and removal of seabed equipment (e.g. Christmas tree, anchoring blocks).

(In thousands of reais, unless otherwise indicated)

20. Advances to/from partners in oil and gas operations - restated

	Consolidated	
Operated blocks	**06/30/2019**	**12/31/2018**
Blocks operated (GALP - PEL 23 Namibia)	**(443)**	6,757
Petrobras - Frade	**(82,695)**	-
FJPL - Frade	**(50,335)**	-
Ecopetrol - Ceará	**413**	-
Total operated blocks	**(133,060)**	6,757
Non-operated blocks (Petrobras - Brasoil Manati)	**(508)**	(2,887)
Total advances to/from partners	**(133,568)**	3,870
Total current liabilities	**3,116**	6,792
Total current assets	**(136,684)**	(2,922)

21. Impairment

The Company periodically monitors changes in economic and operating expectations that may indicate impairment or loss of its recoverable value. If such evidence is identified, calculations are performed to verify whether the net book value exceeds the recoverable value and, in such case, a provision for devaluation is recorded adjusting the book value to the recoverable value.

The Company did not identify such evidence for the six-month period ended June 30, 2019.

22. Shareholders' equity

22.1 Capital

On June 30, 2019 the Company's subscribed and paid-in capital totaling R$ 3,443,940 is comprised of 140,964,679 nominative registered shares with no par value. The Company had Global Depositary Shares ("GDSs") traded in the TSX Venture Exchange (TSX-V) in Toronto, Canada, at a rate of two GSDs for each common share, however, on January 27, 2017, all Global Depositary Shares ("GDSs") were de-listed. Holders who have not convert the GDSs into PetroRio common shares up to May 27, 2017 had the GDSs compulsorily canceled and received their cash amounts by selling shares by custodian agent.

During the Annual and Special Shareholders' Meeting held on April 29, 2016, occasion a proposal was approved putting in place a repurchase program for as many as 3,300,000 common shares issued by the Company within 18 months, without reducing capital and to be held in treasury, canceled and/or for subsequent disposal. On December 22, 2017, at a new Special Shareholders' Meeting, the proposal for implementation of the program to buy back up to 1,000,000 shares was approved, to be performed in 18 months, without reducing capital, for maintaining in treasury, cancellation and/or subsequent disposal. On March 1, 2019, the Special General Meeting approved the splitting shares issued by the Company, at the ratio of 1/10, so that each share issued by the Company is represented by 10 (ten) shares.

(In thousands of reais, unless otherwise indicated)

On June 30, 2019, balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, is 9,505,950 shares at acquisition cost of R$ 49,463.

The Company's authorized capital is R$10 billion.

The Company recorded R$ 136,809 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 3,307,246.

Shareholder	Number of common shares	% of interest
Aventti Strategic Partners LLP	34,145,440	24%
One Hill Capital LLC	27,704,010	20%
Sentinel Investments Holdings LLC	11,337,980	8%
Other Shareholders	67,777,249	48%
Total	**140,964,679**	**100%**

*According to information disclosed in reference form.

The Company's capital was subject to changes in 2019, due to a R$ 34,132 increase through the conversion of Debentures into shares, pursuant to Note 16a and the exercise of stock options granted to employees, as follows:

22.2 Share-based remuneration plan

The Board of Director, within the scope of its duties and in accordance with the stock option plan, approved the grant of preferred stock option to Company's employees. Stock options fair value was estimated on concession date, using the Black-Scholes pricing model. The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	Program I	Program II	Program III	Program IV
Grant date by Board of Directors	01/25/2018	02/28/2018	11/05/2018	11/05/2018
Total stock options granted	329,557	12,169	33,481	152,744
Share price on granting date	91.50	72.50	118.00	118.00
Strike Price	54.70	48.62	54.70	54.70
Weighted fair value on concession date	41.87	31.30	66.52	70.00
Estimated volatility of share price	73.99%	51.07%	55.58%	72.41%
Risk-free rate of return	8.83%	7.55%	7.13%	8.75%
Option validity (in years)	3	2	2	4

	Program V	Program VI	Program VII
Grant date by Board of Directors	02/28/2019	02/28/2019	02/28/2019
Total stock options granted	24,665	105,790	79,026
Share price on granting date	150.98	150.98	150.98
Strike Price	86.27	86.27	97.06
Weighted fair value on concession date	77.40	77.40	82.24
Estimated volatility of share price	52.54%	52.54%	69.46%
Risk-free rate of return	7.14%	7.14%	8.25%
Option validity (in years)	2	2	4

For the period ended June 30, 2019, the Company has a balance recorded in shareholders' equity - income (loss) from share-based remuneration in the amount of R$ 25,267, and the counterpart being in the statement of income as personnel cost since the granting.

Of the options granted in Program I–IV, 221,062 options were exercised on January 1, 2019, with the full payment of R$ 12,055 in the Company's capital.

22.3 Earnings per share - restated

Pursuant to CPC 41 (IAS 33), the Company presents some information on earnings per share for the six-month periods ended June 30, 2019 and 2018. Basic earnings per share are calculated by dividing net income for the year attributed to the Parent Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the year.

Diluted earnings per share are calculated by dividing income/loss attributable to Parent company's common shareholders by the weighted average number of common shares available for the period, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares into common shares, excluding treasury shares in the period.
The tables below show data of income and shares used in calculating basic and diluted earnings per share during the periods:

Basic and diluted earnings per share	**04/01/2019-06/30/2019**	**04/01/2018-06/30/2018**	**01/01/2019-06/30/2019**	**01/01/2018-06/30/2018**
Numerator (in thousands of reais)				
(Loss) Income for the year attributable to Group's shareholders	**164,762**	76,355	**41,858**	47,900
Denominator (in thousands of shares)				
(+) Weighted average number of common shares adjusted by dilution effect	**140,965**	133,370	**140,965**	133,370
(-) Treasury shares	**(9,506)**	(11,790)	**(9,506)**	(11,790)
	131,459	121,580	**131,459**	121,580
Basic earnings and diluted per share	**1.253**	0.692	**0.318**	0.394

(In thousands of reais, unless otherwise indicated)

23. Related party transactions

	Parent company	
	06/30/2019	**12/31/2018**
Loan Petrorio S.A x Petrorio Internacional	**2**	(437)
Contas a pagar Petrorio S.A x Petrorio O&G (i)	**3,657**	2,464
Service agreement Petrorio x Lux Holding (ii)	**690**	698
Apportionment administrative expenses Brasoil Manati	**93**	-
Apportionment administrative expenses Frade	**1,178**	-
Loan - Petrorio S.A vs. Petrorio Luxembourg Sarl (iii)	**(21,115)**	-
	(15,495)	2,725
Total non-current assets	**5,621**	3,162
Total non-current liabilities	**(21,116)**	(437)

(i) Balance of share-based remuneration plan between PetroRio and PetroRioOG.
(ii) Refers to contract entered into by PetroRio and Petrorio Lux Energy S.à.r.l., which establishes that Petrorio Lux Energy S.à.r.l. must reimburse PetroRio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.
(iii) Balance referring to loan contract executed on June 19, 2019 by PetroRio and Lux Sarl, with 6-month term and Libor interest rate + 3% p.a.

Management remuneration

The Company's management remuneration in the period ended June 30, 2019 was R$ 6,224 (R$ 7,239 on June 30, 2018).

Debentures

The Company for the year ended December 31, 2014, issued convertible debentures in a single series, subordinated and unsecured, of private placement, as detailed on Note 16a. All debentures convertible into issued shares were subscribed by Company's shareholders.

24. Net revenue

	04/01/2019 - 06/30/2019				01/01/2019 - 06/30/2019			
	Polvo	**Manati**	**Jaguar**	**Total**	**Polvo**	**Manati**	**Jaguar**	**Total**
Gross revenue	250,651	21,185	280,414	552,250	370,185	45,525	280,440	696,150
Deductions	-	(4,017)	-	(4,017)	-	(8,844)	-	(8,844)
Net revenue	**250,651**	**17,168**	**280,414**	**548,233**	**370,185**	**36,681**	**280,440**	**687,306**

	04/01/2018 - 06/30/2018				01/01/2018 - 06/30/2018			
	Polvo	**Manati**	**Jaguar**	**Total**	**Polvo**	**Manati**	**Jaguar**	**Total**
Gross revenue	211,442	34,553	-	245,995	303,137	67,053	-	370,190
Deductions	-	(6,590)	-	(6,590)	-	(13,630)	-	(13,630)
Net revenue	**211,442**	**27,963**	**-**	**239,405**	**303,137**	**53,423**	**-**	**356,560**

Notes to the quarterly information
June 30, 2019
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25. Costs of products sold and services rendered - restated

	Consolidated			
	04/01/2019-06/30/2019	04/01/2018-06/30/2018	01/01/2019-06/30/2019	01/01/2018-06/30/2018
FPSO/Platform	(12,571)	(38,495)	(24,380)	(61,354)
Logistics	(16,820)	(14,430)	(23,026)	(24,203)
Consumables	(31,104)	(23,507)	(44,817)	(37,132)
Operation and maintenance	(32,931)	(15,382)	(45,688)	(26,594)
Personnel	(22,022)	(3,712)	(25,068)	(6,257)
SMS	(3,000)	(3,487)	(4,674)	(5,696)
Other costs	(13,721)	(5,224)	(16,052)	(9,567)
Royalties and special interest	(48,719)	(16,732)	(62,952)	(27,494)
Amortization - CPC 06 (R2)	(43,443)	-	(58,545)	-
Depreciation and amortization	(45,034)	(24,667)	(59,778)	(39,828)
Total	**(269,365)**	**(145,636)**	**(364,980)**	**(238,125)**

On June 30, 2019, the oil inventories in the amount of R$ 61,742 is representative of 420,000 bbl – quantity not reviewed by the independent auditors (on June 30, 2018 the oil inventories in the amount of R$ 56,214 corresponded to 297,000 bbl) and Frade's oil inventory in the amount of R$ 30,277, corresponds to 225,000 – amount not reviewed by the independent auditors.

26. Other revenues and expenses - restated

	Consolidated			
	04/01/2019-06/30/2019	04/01/2018-06/30/2018	01/01/2019-06/30/2019	01/01/2018-06/30/2018
Reversal of provisions	1,746	-	1,746	-
Loss on investments in subsidiary (dividends)	(4,140)	-	(5,030)	-
Frade acquisition success rate	(11,447)	-	(11,447)	-
Provision for non-recovery - Namibia VAT	(18,381)	-	(18,381)	-
Reversal (Provision) for labor contingencies	(2,177)	(2,794)	(2,177)	(2,349)
Income from transactions with permanent assets	5	(3,470)	10	(3,470)
Provision of abandonment adjustment	5,522	2,773	5,522	2,773
Sale of aircraft engine	-	-	593	-
Tax credits (PIS and COFINS/INSS/ICMS)	225	333	531	497
Supplier Discount (Prosafe)	-	-	-	2,280
Other revenues (expenses)	(3,926)	(962)	(3,632)	(318)
Total	**(32,573)**	**(4.120)**	**(32.265)**	**(587)**

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27. Financial results - restated

	Parent company			
	04/01/2019-06/30/2019	04/01/2018-06/30/2018	01/01/2019-06/30/2019	01/01/2018-06/30/2018
Financial revenues	**815**	**6,766**	**3,522**	**10,611**
Revenue from realized financial investment	**156**	568	**193**	27,505
Revenue from exchange-rate change	**801**	6,561	**3,184**	8,551
Gain from realization of financial instruments	**18**	-	**18**	-
Marked at fair value - financial instruments *	**127**	(363)	**127**	(25,473)
Other financial revenues	**(287)**	-	**-**	28
Financial expenses	**(3,486)**	**(1,975)**	**(81,190)**	**(37,599)**
Loss on realized financial investment	**-**	-	**-**	(95)
Expense on foreign exchange rate	**(326)**	(17)	**(3,075)**	(1,815)
Interest on loans/debentures	**(237)**	(703)	**(662)**	(1,474)
Marked at fair value - financial instruments *	**1,381**	(725)	**(68,171)**	(32,305)
Loss from realization of financial instruments	**(4,032)**	-	**(8,652)**	**-**
Other financial expenses	**(272)**	(530)	**(630)**	(1,910)

	Consolidated			
	04/01/2019-06/30/2019	04/01/2018-06/30/2018	01/01/2019-06/30/2019	01/01/2018-06/30/2018
Financial revenues	**68,899**	**87,825**	**129,877**	**137,208**
Revenue from realized financial investment	**2,427**	15,078	**7,339**	49,506
Revenue from exchange-rate change	**54,905**	72,767	**107,232**	112,586
Gain from realization of financial instruments	**(777)**	-	**2,144**	-
Gain in realization of derivative financial instruments	**10,399**	-	**10,399**	-
Marked at fair value - financial instruments *	**(187)**	(363)	**127**	(25,473)
Marked at fair value - Derivatives	**1,107**	-	**1,107**	-
Other financial revenues	**1,025**	343	**1,529**	589
Financial expenses	**(80,553)**	**(74,457)**	**(281,670)**	**(151,699)**
Loss on realized financial investment	**(319)**	-	**(850)**	(273)
Expense on foreign exchange rate	**(38,930)**	(57,581)	**(113,230)**	(99,668)
Interest on loans/debentures	**(18,372)**	(1,401)	**(21,496)**	(2,820)
Commission on bank guarantees	**(227)**	-	**(227)**	-
Marked at fair value - financial instruments *	**1,381**	(1,006)	**(68,142)**	(32,586)
Marked at fair value - Derivatives	**(6)**	(10,587)	**(6)**	(10,587)
Loss from realization of financial instruments	**(4,032)**	**-**	**(20,332)**	**-**
Loss in realization of derivative financial instruments	**(1,059)**	(859)	**(16,172)**	(859)
Expenses with interest on leases (IFRS 16)	**(14,728)**	**-**	**(28,098)**	**-**
Other financial expenses	**(4,261)**	(3,023)	**(13,117)**	(4,906)

(*) Mark to fair value– financial instruments refer to the market value of shares of the variable income portfolio.

(In thousands of reais, unless otherwise indicated)

28. Segment information (Consolidated) - restated

PetroRio is active in one sole operating segment, i.e. oil and gas exploration and production (E&P) in Brazil and overseas.

	06/30/2019	**12/31/2018**
Current assets		
Brazil	466,816	712,657
Abroad	560,396	322,958
Non-current assets		
Brazil	993,998	361,424
Abroad	2,368,930	119,141
Revenue	**06/30/2019**	**06/30/2018**
Brazil	637,082	310,081
Abroad	59,724	60,234

29. Objectives and policies for financial risk management

The main financial liabilities of PetroRio refer to trade accounts payable to suppliers for goods and services to be used in its hydrocarbon exploration and production operations, debentures convertible into shares, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.

The Company is exposed to market (interest and exchange rates), credit and liquidity risks, and its strategy is to make a portion of its investments in fixed and variable income assets, foreign exchange transactions, interest, swaps, derivatives, sundry commodities and other financial instruments for speculative purposes in various industries in Brazil and abroad in the short, medium and/or long term, to maximize the profitability and seek a higher return to its shareholder. By adopting this strategy, the Company is exposed to the risks inherent to such investments, and to fluctuations in the prices of these assets, which may negatively impact the Company's cash position.

The Board of Directors reviews and establishes policies for the management of each of these risks, which are summarized as follows.

Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments and commodities. The company constantly monitors the market and, when necessary, contracts derivative transactions to neutralize the impacts of these commodity price oscillations.

(In thousands of reais, unless otherwise indicated)

The Company adopted the Value at Risk (VaR) as risk management methodology, to measure a potential loss in the equity investment portfolio, in the six-month period ended June 30, 2019.

The VaR was calculated based on historical data of the twelve-month period ended June 30, 2019 (one year), for one-day period, confidence level at 95.0%, segregated in investments in Reais and Dollars. The result was 5.64% of the daily maximum loss of the portfolio.

The accuracy of this market risk methodology was tested using daily back-testing, which compares the adherence between the VaR estimates and the realized gains and losses. In this test, the security devaluation, in the 244-day calculation period, has exceeded the VaR nine times (the calculated limit was 12 times).

Derivative financial instruments - hedge

In the period, the Company entered into derivative agreements aimed at providing hedge against the risk of volatility in oil prices for sales of June 2019.

Oil price hedge transaction protected the Company, which obtained minimum price (floor) from US$ 69 to US$ 70 per barrel and maximum price of US$ 80 per barrel. In May and June 2019, settled contracts generated realized gain of US$ 2,445 (R$ 9,401), recorded in income for the period.

Interest rate risk

Available funds are invested in securities issued by first-tier financial institutions at variable rates, mostly with daily liquidity, in compliance with prudential concentration limits. Company has interest-bearing debentures convertible into shares corresponding to the accumulated change of 90% of CDI - Over Extra Group.

Interest rate sensitivity

The table below shows the sensitivity to a possible change in interest rates, income and Company's equity before taxation, where all other variables are kept constant.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	CDI decr.	(78)	(719)	(1,360)
Impact on debentures	CDI incr.	(9)	72	142

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the six-month period as from June 30, 2019 were taken into account under the probable scenario (CDI 6.21%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II, both in relation to the probable scenario.

(In thousands of reais, unless otherwise indicated)

Exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries. The table below shows the sensitivity to a change that may occur in the exchange rate and the impact on the Company's income and equity, before taxation.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	USD decr.	932	(15,916)	(31,832)
Provision for abandonment (ARO)	USD incr.	(3,077)	(52,538)	(105,076)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the six-month period as from June 30, 2019 (US$ 1/R$ 3.888). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

Credit risk

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group adopts a conservative management by investing short-term funds with day-to-day liquidity and post –fixed rates in first-class banks, bearing in mind ratings by the key risk agencies and respecting prudential concentration limits.

Related to credit risk of its sales operations, the Company analyzes the financial condition of its clients, in conjunction with the provider of marketing services (trader), which also operates as an intermediary in transactions for the sale of oil. During the six-month period ended on June 30, 2019 oil net sales were decentralized, with sales to clients Trafigura, Petrochina and Valero Marketing, and gas sales in other client (Petrobras); however, they present an irrelevant credit risk, considering that its background does not show any delays or defaults.

Liquidity risk

Prudent management of risk implies maintaining cash consistent with the disbursement needs to cover its obligations, in accordance with the Company's business plan.

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Consolidated

Year ended June 30, 2019	up to 12 months	1-5 years	Total
Liabilities			
Loans and financing	(566,985)	(724,663)	**(1,291,648)**
Suppliers	(126,570)	(13,413)	**(139,983)**
Labor obligations	(32,618)	-	**(32,618)**
Taxes and social contributions	(85,097)	-	**(85,097)**
Advance from partners	(3,116)	-	**(3,116)**
Debentures	(40,377)	-	**(40,377)**
Provision for abandonment	-	(535,258)	**(535,258)**
Provision for contingencies	-	(28,675)	**(28,675)**
Deferred taxes and social contributions	-	(2,994)	**(2,994)**
Contractual Charges (Lease IFRS 16)	(25,214)	(1,003,248)	**(1,028,462)**
Other liabilities	-	(2,145)	**(2,145)**
	(879,977)	**(2,310,396)**	**(3,190,373)**

Year ended December 31, 2018	up to 12 months	1-5 years	Total
Liabilities			
Loans and financing	(222,437)	(25,718)	**(248,155)**
Suppliers	(73,258)	(13,413)	**(86,671)**
Labor obligations	(14,923)	-	**(14,923)**
Taxes and social contributions	(37,010)	-	**(37,010)**
Advance from partners	(6,792)	-	**(6,792)**
Debentures	(306)	(69,366)	**(69,672)**
Provision for abandonment	-	(36,438)	**(36,438)**
Provision for contingencies	-	(17,441)	**(17,441)**
Financial instruments	(16,260)	(644)	**(16,904)**
	(370,986)	**(163,020)**	**(534,006)**

Parent company

Year ended June 30, 2019	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(1,177)	-	**(1,177)**
Labor obligations	(291)	-	**(291)**
Taxes and social contributions	(13,817)	-	**(13,817)**
Deferred taxes and social contributions	(3,148)	-	**(3,148)**
Debentures	(40,377)	-	**(40,377)**
	(58,810)	**-**	**(58,810)**

Year ended December 31, 2018	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(219)	-	**(219)**
Labor obligations	(41)	-	**(41)**
Taxes and social contributions	(13,857)	-	**(13,857)**
Deferred taxes and social contributions	(3,152)	-	**(3,152)**
Debentures	(306)	(69,366)	**(69,672)**
	(17,575)	**(69,366)**	**(86,941)**

(In thousands of reais, unless otherwise indicated)

Fair value of financial assets and liabilities

The "fair value" concept provides for the valuation of assets and liabilities based on market prices in the case of liquid assets, or based on mathematical pricing models otherwise. The level in the fair value hierarchy gives priority to unadjusted quoted prices in an active market. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices).
c) Level 3: fair value measurement is derived from valuation techniques that include and asset or liability that are not included in an active market.

Market values ("fair value") estimated by management were determined by level 2 for those financial instruments:

	06/30/2019				12/31/2018			
	Parent company		Consolidated		Parent Company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Loans and receivables								
Accounts receivable (i)	-	-	36,023	36,023	-	-	34,932	34,932
Related parties	5,621	5,621	-	-	3,162	3,162	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	15	15	392.880	392.880	232	232	186.993	186.993
Securities (ii)	660	660	123.240	123.240	483	483	397.121	397.121
Fair value through other comprehensive income								
Securities (iii)	5,698	5,698	9,632	9,632	40,625	40,625	210.320	210.320
Financial liabilities								
Amortized cost:								
Suppliers (i)	1.177	1.177	139.983	139.983	219	219	86.671	86.671
Loans and financing	-	-	1.291.648	1.291.648	-	-	248.155	248.155
Fair value through profit or loss								
Debentures (ii)	40.377	40.377	40.377	40.377	69.672	69.672	69.672	69.672

(i) The amounts related to the balance of accounts receivable and suppliers does not have significant differences in the fair value due to receivable/payment turnover not exceed 60 days.

(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

(In thousands of reais, unless otherwise indicated)

30. Insurance (Not reviewed by the independent auditors)

The Company has a policy of taking out insurance plan for the items subject to risks.

The Company is covered against major risks such as Energy Package, which includes: Physical Damage over offshore assets, Operator's Extra Expenses (OEE - Well Control, Extra Expense/Reboring and Infiltration and Pollution, Cleaning and Contamination) and Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

The insurance policies in force at June 30, 2019 cover the insured amount of R$ 10,388,645. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	279,917
Fixed Platform	697,460
Offshore Platform	85,458
FPSO	1,469,016
Subsea Equipment	1,383,392
Offshore property (Pipeline)	111,900
Onshore properties (Pipeline)	44,837
Onshore Treatment Station	66,680
OEE production (Well control)	1,159,657
Offshore Civil Liability + Surplus	1,635,350
Cargo (Polvo)	3,500
D&O	40,000
P&I	2,874,150
General liability	5,000
Equity	3,000
Energy Package (TPL)	383,220
Customs Guarantee	1,026
Legal guarantee	62,337
PEM guarantee insurance - ANP	81,691
Travel Insurance Travel Guard	1,054
Total insured	**10,388,645**

31. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on June 30, 2019 and December 31, 2018 in the amounts of R$ 28,675 and R$ 17,441, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Provisions recorded

Currently, the Company is party to lawsuits with probable risk, which are basically labor claims that add up to R$ 19,289 and one tax claim of R$ 328 and contingency due to Frade's incident in the amount of R$ 9,058.

Provision reversed - Tuscany Arbitration

In September 2017, the Company reversed the provision for contingency recorded in its balance sheet, in the amount of R$ 43,920, referring to the arbitration proceeding instituted by Tuscany Perforations Brasil Ltda. and Tuscany Rig Leasing S.A. against PetroRioOG. By means of an annulment suit filed by its lawyers and judged on September 28, 2017, the decision of the arbitration proceeding was annulled.

The sentence of the arbitration procedure was handed down on February 5, 2015, condemning the Company to pay the amounts of R$ 106 and US$ 13,507 thousand. An applicable appeal was filed on March 9, 2015 and September 02, 2015. The Company was notified by the Court of Arbitration, which upheld the decision. As of October 7, 2015, the Company filed an annulment suit, aiming at dissolving the arbitral award, based on violation of full defense and the arbitration clause that forbade decision by equity and obtained an injunction in the second degree, removing the effects of an arbitration decision. A judgment of inadmissibility was handed down, and the Company filed the appropriate appeal. As of September 28, 2017, the appeal was provided by the Court to annul the arbitration decision for another to be rendered, after producing the necessary expert evidence. The parties filed an appeal for motion to clarify the judgment.

Incidents in Frade

Because of the incident of November 2011 at Frade Field, the Company was notified by ANP in years 2011 and 2012. Additionally, on November 21, 2011, the Company received a fine from IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources) in the amount of R$ 50,000 and on December 23, 2011, other fine in the amount of R$ 10,000. These fines, of R$ 37,762 and R$ 7,095, respectively, were paid in July 2013, at their restated amount, after negotiation with IBAMA. The differences between the provisioned amounts and the payments made have been reversed to the income statement.

In September 2012, ANP issued 6 fines referring to the incident at Frade Field occurred in November 2011, totaling R$ 35,160. The Consortium waived the right to appeal and paid this amount during the 10-day appeal period, the fine being reduced by 30%. On September 21, 2012, the Frade Field Consortium paid the total amount of R$ 24,612.

The Company was cited in two public civil suits filed by the Federal Public Prosecutor's Office (MPF) of Campos dos Goytacazes alleging environmental damage caused by oil leak, amounting to R$ 20 billion each. This civil suit was filed with the 1st Federal Court of Rio de Janeiro. At the end of 2012, the Company accrued the amount of R$ 95,000 related to the preventive and compensatory measures of the Term of Adjustment of Conduct (TAC), which was approved and signed in September 2013 with the MPF, ANP and IBAMA. This agreement supersedes the two civil suits, which were initialed filed by the MPF.

The Company’s management only maintains a provision for TAC, amounting to R$ 9,058, corresponding to the Company’s interest in Frade Field. In the six-month period ended June 30, 2019, the Company invested in environmental recovery projects, amounting to R$ 990 (R$ 23,246 at December 31, 2018). The amounts of this provision are monetarily restated every month.

Other suits

According to the Group’s legal advisors, risk of loss in other lawsuits is “possible” - R$ 688,709 (R$ 389,032 on June 30, 2018) - or “remote”. Pursuant to accounting practices adopted in Brazil and IFRS, Management decided not to form a provision for contingencies for these lawsuits, with likelihood of possible and remote loss.

32. Subsequent Events - restated

32.1 Completion of acquisition of 18.26% of Frade Field

On October 2, 2019, after the precedent conditions were met and the necessary approvals obtained, the acquisition of Frade Japão Petróleo Ltda (“FJPL”), holder of an 18.26% interest in Frade Field’s concession and operating assets, was completed.

As of this date, the profits and losses arising from this 18.26% in Frade Field is accounted for in the financial statements of the Company.

32.2 Complementary acquisition of 30% of Frade Field

On November 28, 2019, the Company signed a purchase and sale agreement with Petrobras for the acquisition of the remaining 30% interest in the Field, increasing its interest in Frade Field to 100%. The conclusion of this transaction is subject to the fulfillment of precedent conditions, such as approval by the Administrative Council for Economic Defense (CADE) and by the National Agency of Petroleum, Natural Gas and Biofuels (ANP).

32.3 Settlement of debentures

EOn October 24, 2019, the dentures issued by PetroRio in December 2014 have matured. Of the 4,359,624 debentures issued, 99.9% were converted into shares (4,356,405 debentures), and the remaining ones (3,219 debentures), upon maturity, was redeemed in cash on that date, amounting to R$ 64.

32.4 Acquisition of FPSO and Farm-in of Tubarão Martelo Field

On February 3, 2020, the Company entered into a contract for the acquisition of the OSX-3 vessel (Floating, Production, Storage and Offloading – FPSO), built in 2012 with a processing capacity of 100 thousand barrels of oil per day and storage capacity of 1.3 million barrels, in the amount of US$ 140 million, with a portion of the funds (US$ 100 million) being financed by Prisma Capital.

Moreover, a contract was signed on the same date for the acquisition of 80% of Tubarão Martelo Field, as well as the Field operation, fully owned by Dommo Energia. The completion of this acquisition was concluded in August 03, 2020, depends onafter approvals from CADE (Administrative Council for Economic Defense) and ANP (National Petroleum Agency).

32.5 COVID-19

In light of the current uncertain and volatile environment related to the spread of COVID-19, and the recent drop in Brent oil prices, although the current scenario does not directly affect the Company's receipt terms or deteriorate the values of oil stocks, the Company has adopted several precautionary measures, and revised its business plan, having decided to delay all non-essential investments (CAPEX) in its current assets and reduce costs (OPEX and G&A) to weather the current scenario. These measures include:

- Immediate reduction of POB (People on Board) and extension of onboard periods (with the purpose of reducing travel periods) for all assets the Company operates, keeping personnel movement to a minimum necessary in order to operate safely and efficiently;

- Increased availability of protective equipment, and sanitation and hygiene products in onshore and offshore facilities directly associated to the Company's production, particularly in locations with higher exposure;

- Increased frequency of communication and awareness to all employees and service providers stationed in onshore and offshore locations;

- Adoption of rapid tests and screening procedures at the airport, with support from registered nurses, of personnel boarding the platforms. This includes 48h monitoring before embarking to identify potential cases;

- Employees located at corporate headquarters and onshore locations are working remotely (work-from-home);

- 100% of planned CAPEX for March to December 2020 has been postponed, except for approximately US$ 10 million related to operational safety maintenance.

- OPEX reduction to US$ 12.5 million per month (100% of Polvo + 100% of Frade).

- Recommissioning certain TBMT and Polvo FPSO storage tanks, to increase the Company's nominal oil storage capacity to 3.5 million barrels, granting more flexibility on offtakes depending on market conditions.

- Payroll reduction for onshore employees by 25% and corporate directors by 50%;

- All international travel is suspended. Domestic travel is exclusive to employees critical to offshore facilities who reside in other states;

- All events have been suspended.